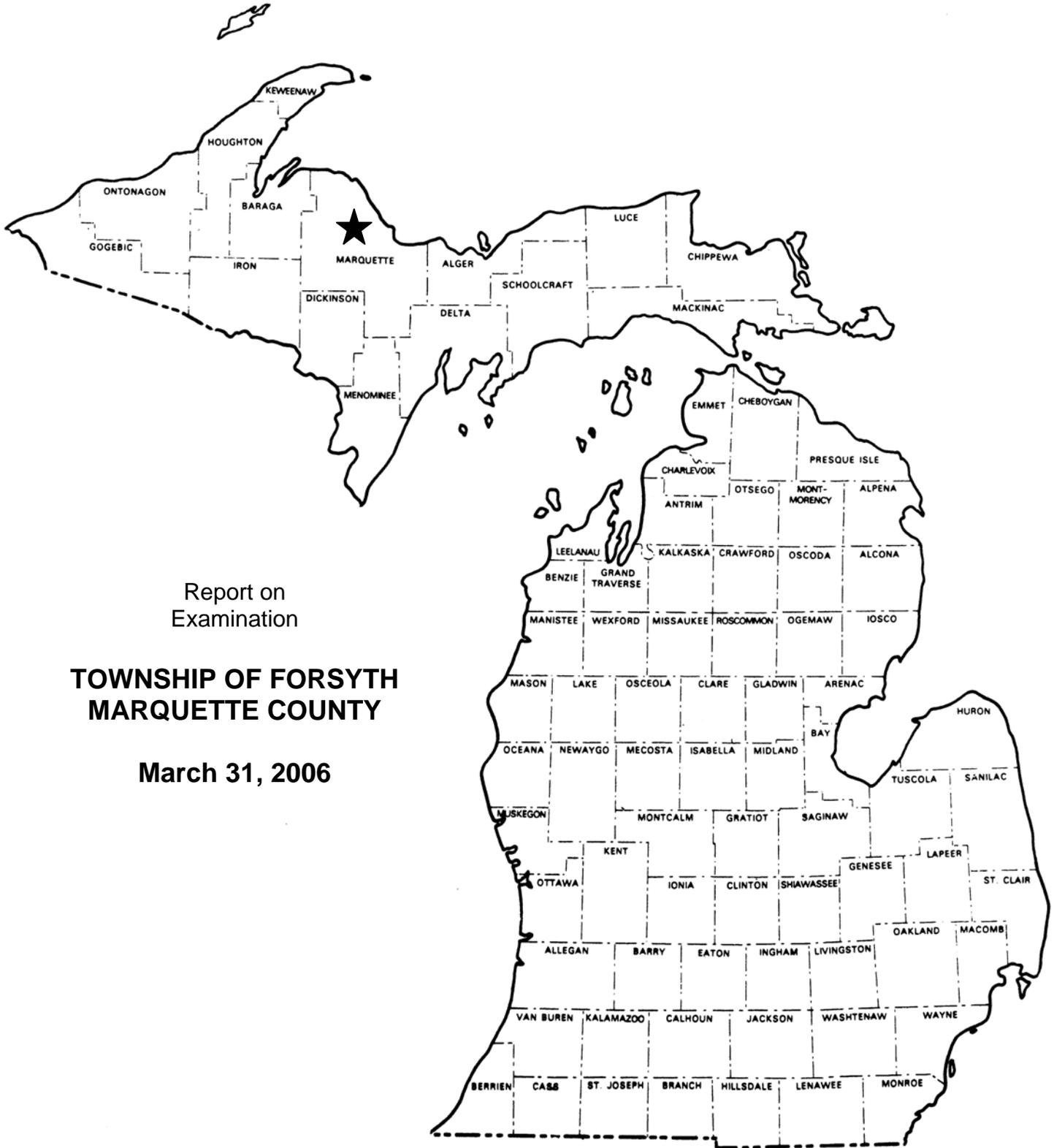


STATE OF MICHIGAN
JENNIFER M. GRANHOLM, Governor
DEPARTMENT OF TREASURY



Report on
Examination

**TOWNSHIP OF FORSYTH
MARQUETTE COUNTY**

March 31, 2006

FORSYTH TOWNSHIP--MARQUETTE COUNTY

TOWNSHIP BOARD

Chris Adams
Supervisor

Bonnie Filizeti Hartzell
Clerk

Ronald Lauren
Treasurer

James Dellies
Trustee

Michael Jakubowski
Trustee

TOWNSHIP POPULATION--2005
5,791

TAXABLE VALUATION--2005
\$130,499,384



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

ROBERT J. KLEINE
STATE TREASURER

January 25, 2007

Forsyth Township Board
P.O. Box 1360
186 West Flint Street
Gwinn, Michigan 49841

Independent Auditor's Report

Dear Board Members:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Forsyth Township, Marquette County, Michigan, as of and for the year ended March 31, 2006, which collectively comprise the township's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of Forsyth Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Forsyth Township, as of March 31, 2006; and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated January 25, 2007, on our consideration of Forsyth Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that

testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 1 through 6 and the Budgetary Comparisons for Major Funds, as identified in the Table of Contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries to management regarding the methods of measurements and the presentation of supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Forsyth Township's basic financial statements. The combining and individual nonmajor fund financial statements are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements, taken as a whole.



Cary Jay Vaughn, CPA, CGFM
Audit Manager
Local Audit and Finance Division

TOWNSHIP OF FORSYTH--MARQUETTE COUNTY

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FORSYTH TOWNSHIP--MARQUETTE COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township, as a whole, and present a longer-term view of their finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

The Township as a Whole

The Township's net assets for the governmental funds increased \$230,665 from a year ago due to positive action by the board to cut costs. The business-type activities also increased \$109,656, primarily as a result of decreasing expenses and increased sewer and water rates.

In a condensed format, the table below shows a comparison of the net assets as of the current year to the prior year.

	<u>Governmental Activities 2005</u>	<u>Governmental Activities 2006</u>	<u>Difference</u>	<u>Percent</u>
Current and Other Assets	\$1,490,328	\$1,750,169	\$259,841	17%
Capital Assets	<u>2,203,989</u>	<u>2,408,658</u>	<u>204,669</u>	<u>9%</u>
Total Assets	<u>3,694,317</u>	<u>4,158,827</u>	<u>464,510</u>	<u>13%</u>
Current Liabilities	373,393	322,822	(50,571)	-14%
Long-Term Liabilities	<u>148,658</u>	<u>433,074</u>	<u>284,416</u>	<u>191%</u>
Total Liabilities	<u>522,051</u>	<u>755,896</u>	<u>233,845</u>	<u>45%</u>
Net Assets				
Invested in Capital Assets				
Net of Debt	2,110,813	2,063,910	(46,903)	-2%
Restricted	270,027	409,998	139,971	52%
Unrestricted (Deficit)	<u>791,426</u>	<u>929,093</u>	<u>137,667</u>	<u>17%</u>
Total Net Assets	<u><u>\$3,172,266</u></u>	<u><u>\$3,402,931</u></u>	<u><u>\$230,665</u></u>	<u><u>7%</u></u>

FORSYTH TOWNSHIP--MARQUETTE COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

	<u>Business-Type Activities 2005</u>	<u>Business-Type Activities 2006</u>	<u>Difference</u>	<u>Percent</u>
Current and Other Assets	\$ 102,637	\$ 292,001	\$ 189,364	184%
Capital Assets	<u>2,027,970</u>	<u>1,827,224</u>	<u>(200,746)</u>	<u>-10%</u>
Total Assets	<u>2,130,607</u>	<u>2,119,225</u>	<u>(11,382)</u>	<u>-1%</u>
Current and Other Liabilities	138,787	57,464	(81,323)	-59%
Long-Term Liabilities	<u>234,715</u>	<u>195,000</u>	<u>(39,715)</u>	<u>-17%</u>
Total Liabilities	<u>373,502</u>	<u>252,464</u>	<u>(121,038)</u>	<u>-32%</u>
Net Assets				
Invested in Capital Assets	1,596,336	1,632,224	35,888	2%
Net of Debt			-	
Unrestricted (Deficit)	<u>160,769</u>	<u>234,537</u>	<u>73,768</u>	<u>46%</u>
Total Net Assets	<u>\$ 1,757,105</u>	<u>\$ 1,866,761</u>	<u>\$ 109,656</u>	<u>6%</u>

FORSYTH TOWNSHIP--MARQUETTE COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following table shows the changes of the net assets as of the current year to the prior year:

	<u>Governmental Activities</u> <u>2005</u>	<u>Governmental Activities</u> <u>2006</u>	<u>Difference</u>	<u>Percent</u>
Program Revenues				
Charges for Services	\$ 96,884	\$ 262,974	\$ 166,090	171%
Operating Grants and Contributions	21,969	108,767	86,798	395%
Capital Grants and Contributions	7,727	10,800	3,073	100%
General Revenues				
Property Taxes	943,166	1,020,461	77,295	8%
State-Shared Revenues	494,675	555,667	60,992	12%
Unrestricted Investment Earnings	18,521	14,031	(4,490)	-24%
Other Revenue	<u>253,304</u>	<u>32,672</u>	<u>(220,632)</u>	<u>-87%</u>
Total Revenues	<u>1,836,246</u>	<u>2,005,372</u>	<u>169,126</u>	<u>9%</u>
Program Expenses				
General Government	485,632	446,184	(39,448)	-8%
Public Safety	661,085	595,727	(65,358)	-10%
Public Works	224,683	285,051	60,368	27%
Community and Economic Development		7,174	7,174	0%
Health and Welfare	108,059	212,169	104,110	96%
Recreation and Culture	313,814	268,805	(45,009)	-14%
Other	187,576	106,109	(81,467)	-43%
Depreciation--Unallocated	178,244		(178,244)	-100%
Interest on Long-Term Debt	<u>9,894</u>	<u>11,146</u>	<u>1,252</u>	<u>13%</u>
Total Expenses	<u>2,168,987</u>	<u>1,932,365</u>	<u>(236,622)</u>	<u>-11%</u>
Change in Net Assets	<u>\$ (332,741)</u>	<u>\$ 73,007</u>	<u>\$ 405,748</u>	<u>-122%</u>
Ending Net Assets	<u>\$ 3,172,266</u>	<u>\$3,402,931</u>	<u>\$ 230,665</u>	<u>0.07271</u>

FORSYTH TOWNSHIP--MARQUETTE COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

	<u>Business-Type Activities 2005</u>	<u>Business-Type Activities 2006</u>	<u>Difference</u>	<u>Percent</u>
Program Revenues				
Charges for Services	\$ 466,104	\$ 606,388	\$ 140,284	30%
General Revenues				
Unrestricted Investment Earnings	4,026	6,387	2,361	59%
Other Revenue	<u>8,863</u>		<u>(8,863)</u>	<u>-100%</u>
Total Revenues	<u>478,993</u>	<u>612,775</u>	<u>133,782</u>	<u>28%</u>
Program Expenses				
Water and Sewer	<u>546,587</u>	<u>503,119</u>	<u>(43,468)</u>	<u>-8%</u>
Total Expenses	<u>546,587</u>	<u>503,119</u>	<u>(43,468)</u>	<u>-8%</u>
Change in Net Assets	<u>\$ (67,594)</u>	<u>\$ 109,656</u>	<u>\$ 177,250</u>	<u>-262%</u>
Ending Net Assets	<u>\$ 1,757,105</u>	<u>\$ 1,866,761</u>	<u>\$ 109,656</u>	<u>6%</u>

The increase in revenues, as noted above, is due to the increase in sewer and water charges while the decrease in expenses is again due to personnel layoffs and decreasing maintenance costs.

FORSYTH TOWNSHIP--MARQUETTE COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental Activities

	<u>Governmental Funds 2005</u>	<u>Governmental Funds 2006</u>	<u>Difference</u>	<u>Percent</u>
Revenues				
Taxes and Penalties	\$ 940,877	\$1,020,461	\$ 79,584	8%
Licenses and Permits	5,399	35,963	30,564	566%
Federal Grants	10,476	8,750	(1,726)	100%
State Grants	506,168	568,074	61,906	12%
Contributions From Local Units		80,221	80,221	100%
Charges for Services	75,750	203,418	127,668	169%
Fines and Forfeits	15,735	19,236	3,501	22%
Interest and Rentals	18,521	27,967	9,446	51%
Other Revenue	<u>253,304</u>	<u>60,500</u>	<u>(192,804)</u>	<u>-76%</u>
Total Revenues	<u>1,826,230</u>	<u>2,024,590</u>	<u>198,360</u>	<u>11%</u>
Program Expenses				
General Government	507,628	427,769	(79,859)	-16%
Public Safety	661,085	550,582	(110,503)	-17%
Public Works	224,683	246,730	22,047	10%
Community and Economic Development		180,085	180,085	100%
Health and Welfare	108,059	7,174	(100,885)	-93%
Recreation and Culture	313,814	230,337	(83,477)	-27%
Other	187,576	106,109	(81,467)	-43%
Capital Outlay	93,472	335,575	242,103	259%
Debt Service	<u>48,655</u>	<u>91,528</u>	<u>42,873</u>	<u>88%</u>
Total Expenditures	<u>2,144,972</u>	<u>2,175,889</u>	<u>30,917</u>	<u>1%</u>
Excess Expenditures over Revenues	(318,742)	(151,299)	167,443	-53%
Other Financing Sources (Uses)				
Installment Purchase Agreement Proceeds		300,000	300,000	100%
Interfund Transfers In	133,850	93,933	(39,917)	-30%
Interfund Transfers (Out)	<u>(133,850)</u>	<u>(93,933)</u>	<u>39,917</u>	<u>-30%</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>300,000</u>	<u>300,000</u>	<u>100%</u>
Beginning Fund Balance	<u>1,516,585</u>	<u>1,197,843</u>	<u>(318,742)</u>	<u>-21%</u>
Ending Fund Balance	<u>\$1,197,843</u>	<u>\$1,346,544</u>	<u>\$ 148,701</u>	<u>12%</u>

With the help of a growing tax base and extra state revenue sharing from an increase due to the mid-decade status, the Township was able to increase its revenues. The decrease in expenditures is primarily due to personnel layoffs and decreasing maintenance costs. However, there was an increase in capital outlay due to the purchase of a fire truck.

FORSYTH TOWNSHIP--MARQUETTE COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

Business-Type Activities

The Township's business-type activities consist of the Sewer and Water Fund. The Township provides sewer and water services to its residents. The charges have been increased to cover losses in the prior year and to prepare for upcoming projects.

The Township's Funds

Our analysis of the Township's major funds is listed in the audit report, following the entity-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The Township's major funds for 2006 include the General Fund, Clubhouse Fund, Horseshoe Lake Assessor Plat Fund, Little Shag Lake Assessor Plat Fund, Sewer Fund, and the Water Fund.

The General Fund pays for most of the Township's governmental services. The most significant are for general government and public safety activities, which incurred expenses of approximately \$427,769 and \$550,582, respectively in 2006. These services are supported by the operating millage and State shared revenues. The Clubhouse Fund is for the operations of the clubhouse, which is supported by a special voted millage recorded in its own respective fund. The Plat Funds are to record the long-term special assessments due back to the General Fund for platting expenses.

General Fund Budgetary Highlights

The Township Board amended the budget to take into account events occurring during the year, primarily the personnel layoffs cutting the expenses and related budgets to try to provide a surplus for the Township this year.

Capital Asset and Debt Administration

At the end of 2006, the Township had \$4,235,882 invested in a broad range of capital assets, including buildings, fire and police equipment, fire and police vehicles, and the sewer and water system. To pay for the majority of these capital assets, especially the fire trucks, the Township entered into various debt obligations totaling \$539,749.

Economic Factors and Next Year's Budgets and Rates

In the upcoming year, the Township is not expecting any significant projects that will create a need to change the budget from the previous year. The Township will again be closely monitoring its budget as revenues will remain relatively the same as the Township continues to try to cut expenses.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Township Office, P.O. Box 1360, 186 West Flint Street, Gwinn, Michigan 49841, Phone Number (906) 346-9219.

**FORSYTH TOWNSHIP--MARQUETTE COUNTY
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
March 31, 2006**

EXHIBIT A

	Governmental Activities	Business-Type Activities	Total
<u>ASSETS</u>			
Current Assets			
Cash and Cash Equivalents	\$ 1,094,906	\$ 247,712	\$ 1,342,618
Receivables (Net)			
Taxes--Delinquent	145,628		145,628
Special Assessments	61,094	5,478	66,572
Special Assessments--Delinquent	2,685		2,685
Accounts (Net)	131,441	65,253	196,694
Interest	1,301	815	2,116
Internal Balances	27,257	(27,257)	-
Due From State	54,857		54,857
Total Current Assets	1,519,169	292,001	1,811,170
Noncurrent Assets			
Long-Term Receivable	231,000		231,000
Capital Assets--Net of Accumulated Depreciation	2,408,658	1,827,224	4,235,882
Total Assets	4,158,827	2,119,225	6,278,052
<u>LIABILITIES</u>			
Current Liabilities			
Accounts Payable	87,452	12,654	100,106
Accrued Liabilities	4,370	44,810	49,180
Noncurrent Liabilities			
Deferred Revenue	250,709		250,709
Bonds Payable--Due Within One Year	16,703	95,000	111,703
Bonds Payable--Due in More Than One year	38,231	100,000	138,231
Installment Loan Payable--Due Within One Year	59,605		59,605
Installment Loan Payable--Due in More Than One Year	230,209		230,209
Vested Employee Benefits Payable	68,617		68,617
Total Liabilities	755,896	252,464	1,008,360
<u>NET ASSETS</u>			
Investment in Capital Assets--Net of Related Debt	2,063,910	1,632,224	3,696,134
Restricted for			
Clubhouse	193,323		193,323
Horseshoe Lake Assessor Plat	(35,302)		(35,302)
Little Shag Lake Assessor Plat	(25,792)		(25,792)
Perpetual Care	159,460		159,460
Nonmajor Governmental	118,309		118,309
Unrestricted	929,023	234,537	1,163,560
Total Net Assets	\$ 3,402,931	\$ 1,866,761	\$ 5,269,692

The Notes to Financial Statements are an integral part of this statement.

**FORSYTH TOWNSHIP--MARQUETTE COUNTY
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
For the Year Ended March 31, 2006**

EXHIBIT B

Functions/Programs	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government							
Governmental Activities							
General Government	\$ 446,184	\$ 58,022	\$ 13,988		\$ (374,174)		\$ (374,174)
Public Safety	595,727	35,759	19,073	\$ 10,800	(530,095)		(530,095)
Public Works	285,051	12,043			(273,008)		(273,008)
Health and Welfare	212,169	124,019	66,675		(21,475)		(21,475)
Community and Economic Development	7,174	9,067			1,893		1,893
Recreation and Culture	268,805	24,064	9,031		(235,710)		(235,710)
Other	106,109				(106,109)		(106,109)
Interest on Long-Term Debt	11,146				(11,146)		(11,146)
Total Governmental Activities	1,932,365	262,974	108,767	\$ 10,800	(1,549,824)	\$ -	(1,549,824)
Business-Type Activities							
Sewer	203,633	177,296				(26,337)	(26,337)
Water	299,486	429,092				129,606	129,606
Total Business-Type Activities	503,119	606,388	-	-	-	103,269	103,269
Total Primary Government	\$ 2,435,484	\$ 869,362	\$ 108,767	\$ 10,800	\$ (1,549,824)	\$ 103,269	\$ (1,446,555)
General Revenues							
Property Taxes					\$ 1,020,461		\$ 1,020,461
State-Shared Revenues					555,667		555,667
Unrestricted Investment Earnings					14,031	\$ 6,387	20,418
Other Revenues					31,597		31,597
Special Item--Gain on Sale of Capital Assets					1,075		1,075
Total General Revenues--Special Items and Transfers					1,622,831	6,387	1,629,218
Change in Net Assets					73,007	109,656	182,663
Net Assets--Beginning					3,172,266	1,757,105	4,929,371
Restatement to Net Assets					157,658		157,658
Restated Net Assets--Beginning					3,329,924	1,757,105	5,087,029
Net Assets--Ending					\$ 3,402,931	\$ 1,866,761	\$ 5,269,692

The Notes to Financial Statements are an integral part of this statement.

FORSYTH TOWNSHIP--MARQUETTE COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
March 31, 2006

EXHIBIT C

	General	Clubhouse	Horseshoe Lake Assessor Plat	Little Shag Lake Assessor Plat	Nonmajor Governmental	Total Governmental Funds
<u>ASSETS</u>						
Cash and Cash Equivalents	\$ 633,230	\$ 169,494	\$ 9,899	\$ 5,194	\$ 271,116	\$ 1,088,933
Receivables						
Taxes--Delinquent	112,877	32,751				145,628
Special Assessments			35,302	25,792		61,094
Special Assessments--Delinquent			1,411	1,274		2,685
Accounts (Net)	128,308				3,133	131,441
Interest	677				624	1,301
Due From State	54,857					54,857
Due From Other Funds	115,459				7,105	122,564
Long-Term Receivable	231,000					231,000
Total Assets	\$ 1,045,408	\$ 202,245	\$ 46,612	\$ 32,260	\$ 281,978	\$ 1,839,503
<u>LIABILITIES AND FUND EQUITY</u>						
Liabilities						
Accounts Payable	\$ 78,048	\$ 8,733			\$ 671	\$ 87,452
Due to Other Funds	7,105		\$ 46,612	\$ 32,260	3,357	89,334
Accrued Liabilities	4,000	189			181	4,370
Deferred Revenue	250,709		35,302	25,792		311,803
Total Liabilities	339,862	8,922	81,914	58,052	4,209	492,959
Fund Equity						
Fund Balances						
Reserved for						
Clubhouse		193,323				193,323
Horseshoe Lake Assessor Plat			(35,302)			(35,302)
Little Shag Lake Assessor Plat				(25,792)		(25,792)
Perpetual Care					159,460	159,460
Unreserved--Undesignated	936,546				118,309	1,054,855
Total Fund Equity	936,546	193,323	(35,302)	(25,792)	277,769	1,346,544
Total Liabilities and Fund Equity	\$ 1,276,408	\$ 202,245	\$ 46,612	\$ 32,260	\$ 281,978	\$ 1,839,503
Fund Balances--Total Governmental Funds						\$ 1,346,544

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds.	2,408,658
Special assessment receivables are expected to be collected over several years and are not available to pay for current year expenditures.	61,094
Long-term liabilities are not due and payable in the current period and are not reported in the funds.	(413,365)
Net Assets of Governmental Activities	<u>\$ 3,402,931</u>

The Notes to Financial Statements are an integral part of this statement.

**FORSYTH TOWNSHIP--MARQUETTE COUNTY
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended March 31, 2006**

EXHIBIT D

	General	Clubhouse	Horseshoe Lake Assessor Plat	Little Shag Lake Assessor Plat	Nonmajor Governmental	Total Governmental Funds
Revenues						
Taxes	\$ 804,868	\$ 215,593				\$ 1,020,461
Licenses and Permits	35,963					35,963
Federal Grants	8,750					8,750
State Grants	563,244				\$ 4,830	568,074
Contributions From Local Units	80,221					80,221
Charges for Services	194,540	4,733			4,145	203,418
Fines and Forfeits	-				19,236	19,236
Interest and Rentals	20,375	1,495	\$ 125	\$ 19	5,953	27,967
Other Revenue	40,450	935	11,767	6,449	899	60,500
Total Revenues	1,748,411	222,756	11,892	6,468	35,063	2,024,590
Expenditures						
Current						
General Government	427,519				250	427,769
Public Safety	550,582					550,582
Public Works	246,730					246,730
Health and Welfare	180,085					180,085
Community and Economic Development	7,174					7,174
Recreation and Cultural	4,545	155,693			70,099	230,337
Other	106,109					106,109
Capital Outlay	330,498				5,077	335,575
Debt Service						
Principal	79,236					79,236
Interest and Fiscal Fees	12,292					12,292
Total Expenditures	1,944,770	155,693	-	-	75,426	2,175,889
Excess of Revenues Over (Under) Expenditures	(196,359)	67,063	11,892	6,468	(40,363)	(151,299)
Other Financing Sources (Uses)						
Installment Loan Proceeds	300,000					300,000
Interfund Transfers In	42,447				51,486	93,933
Interfund Transfers (Out)	(51,486)		(613)	(19)	(41,815)	(93,933)
Total Other Financing Sources (Uses)	290,961	-	(613)	(19)	9,671	300,000
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	94,602	67,063	11,279	6,449	(30,692)	148,701
Fund Balance--April 1, 2005	750,866	126,260	12,256	-	308,461	1,197,843
Restatement to Fund Balance	91,078		(58,837)	(32,241)		-
Restated Fund Balance (Deficit)--April 1, 2005	841,944	126,260	(46,581)	(32,241)	308,461	1,197,843
Fund Balance (Deficit)--March 31, 2006	\$ 936,546	\$ 193,323	\$ (35,302)	\$ (25,792)	\$ 277,769	\$ 1,346,544
Excess of Revenue over Other Sources Over (Under) Expenditures and Other Uses						\$ 148,701
Amounts reported for governmental activities in the Statement of Activities are different because:						
Governmental funds report capital outlays as expenditures; in the Statement of Activities, these costs are allocated over their estimated useful lives as depreciation.						141,564
Long-term revenues are recorded in the Statement of Activities when the revenue is earned; they are not reported in the funds if collected after 60 days of year end.						(18,218)
Some expenses reported in the Statement of Activities do not require the use of current financial resources. Therefore, they are not reported as expenditures in the funds.						20,578
Repayments of installment purchase agreements is an expenditure in the governmental funds, but not in the Statement of Activities (where it reduces the long-term debt).						(219,618)
Change in Net Assets of Governmental Activities						\$ 73,007

The Notes to Financial Statements are an integral part of this statement.

FORSYTH TOWNSHIP--MARQUETTE COUNTY
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
March 31, 2006

EXHIBIT E

	Sewer	Water	Total Enterprise Funds
<u>ASSETS</u>			
Current Assets			
Cash and Cash Equivalents	\$ 144,313	\$ 103,399	\$ 247,712
Accounts Receivable	24,373	40,880	65,253
Special Assessments Receivable	2,240	3,238	5,478
Interest Receivable	397	418	815
Total Current Assets	171,323	147,935	319,258
Noncurrent Assets			
Capital Assets--Net of Accumulated Depreciation	788,094	1,039,130	1,827,224
Total Noncurrent Assets	788,094	1,039,130	1,827,224
Total Assets	959,417	1,187,065	2,146,482
<u>LIABILITIES</u>			
Current Liabilities			
Accounts Payable	6,948	5,706	12,654
Accrued Wages	548	1,644	2,192
Accrued Vacation and Sick Time	12,950	29,668	42,618
Due to Other Funds		27,257	27,257
Total Current Liabilities	20,446	64,275	84,721
Noncurrent Liabilities			
Bonds Payable--Due Within One Year	25,000	70,000	95,000
Bonds Payable--Due in More Than One Year	100,000		100,000
Total Noncurrent Liabilities	125,000	70,000	195,000
Total Liabilities	145,446	134,275	279,721
<u>NET ASSETS</u>			
Invested in Capital Assets--Net of Related Debt	663,094	969,130	1,632,224
Unrestricted	150,877	83,660	234,537
Total Net Assets	\$ 813,971	\$ 1,052,790	\$ 1,866,761

The Notes to Financial Statements are an integral part of this statement.

FORSYTH TOWNSHIP--MARQUETTE COUNTY
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET ASSETS--PROPRIETARY FUNDS
For the Year Ended March 31, 2006

EXHIBIT F

	Sewer	Water	Total Enterprise Funds
Operating Revenues			
Charges for Services	\$ 177,296	\$ 429,092	\$ 606,388
Total Operating Revenues	177,296	429,092	606,388
Operating Expenses			
Salaries and Fringes	102,289	131,135	233,424
Operating Expenses	2,172	3,507	5,679
Repairs and Maintenance	6,794	41,194	47,988
Professional Fees	4,532	8,198	12,730
General Insurance	9,394	12,660	22,054
Utilities	8,555	55,344	63,899
Truck and Equipment Expense	7,139	6,925	14,064
Other	6,633	14,584	21,217
Depreciation	50,813	18,529	69,342
Total Operating Expenses	198,321	292,076	490,397
Operating Income (Loss)	(21,025)	137,016	115,991
Nonoperating Revenues (Expenses)			
Interest Earned on Investments	3,677	2,710	6,387
Interest Expense	(5,312)	(7,410)	(12,722)
Total Nonoperating Revenues (Expenses)	(1,635)	(4,700)	(6,335)
Change in Net Assets	(22,660)	132,316	109,656
Total Net Assets--April 1, 2005	836,631	920,474	1,757,105
Total Net Assets--March 31, 2006	\$ 813,971	\$ 1,052,790	\$ 1,866,761

The Notes to Financial Statements are an integral part of this statement.

**FORSYTH TOWNSHIP--MARQUETTE COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended March 31, 2006**

EXHIBIT G

	Sewer	Water	Total Enterprise Funds
Cash Flows From Operating Activities			
Cash Received From Customers	\$ 171,846	\$ 410,945	\$ 582,791
Cash Payments to Employees for Services and Benefits	(98,605)	(128,713)	(227,318)
Cash Payments to Suppliers for Goods and Services	(41,888)	(145,710)	(187,598)
Net Cash Provided by Operating Activities	31,353	136,522	167,875
Cash Flows From Noncapital Financing Activities			
Special Assessments	881	1,664	2,545
Due To Other Funds	(1,054)	(13,537)	(14,591)
Net Cash Provided by Noncapital Financing Activities	(173)	(11,873)	(12,046)
Cash Flows From Capital and Related Financing Activities			
Acquisition of Capital Assets	(20,232)		(20,232)
Reduction of Debt	(25,000)	(60,000)	(85,000)
Interest Paid on Bonds	(5,312)	(7,410)	(12,722)
Net Cash Provided by Capital and Related Financing Activities	(50,544)	(67,410)	(117,954)
Cash Flows From Investing Activities			
Interest on Cash Equivalents	3,429	2,331	5,760
Net Cash Provided by Investing Activities	3,429	2,331	5,760
Net Increase (Decrease) in Cash and Cash Equivalents	(15,935)	59,570	43,635
Cash and Cash Equivalents at Beginning of Year	160,248	43,829	204,077
Cash and Cash Equivalents at End of Year	\$ 144,313	\$ 103,399	\$ 247,712
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating Income (Loss)	\$ (21,025)	\$ 137,016	\$ 115,991
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
Depreciation Expense	50,813	18,529	69,342
(Increase) Decrease in Accounts Receivable	(5,450)	(18,147)	(23,597)
Increase (Decrease) in Accrued Wage Liabilities	3,684	2,422	6,106
Increase (Decrease) in Accounts Payable	3,331	(3,298)	33
Net Cash Provided by Operating Activities	\$ 31,353	\$ 136,522	\$ 167,875

The Notes to Financial Statements are an integral part of this statement.

**FORSYTH TOWNSHIP--MARQUETTE COUNTY
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
March 31, 2006**

EXHIBIT H

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	<u>\$ 32,220</u>
Total Assets	<u><u>\$ 32,220</u></u>
<u>LIABILITIES</u>	
Liabilities	
Due to Other Funds	\$ 5,973
Undistributed Receipts	<u>26,247</u>
Total Liabilities	<u><u>\$ 32,220</u></u>

The Notes to the Financial Statements are an integral part of this statement.

FORSYTH TOWNSHIP--MARQUETTE COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Forsyth Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Forsyth Township:

Reporting Entity

Forsyth Township is located in Marquette County and provides services to approximately 5,791 residents (mid-decade census) in many areas including public safety, public works, health and welfare, public water, and sewer. The township is a general law township and is governed by a 5-member board elected by the citizens of Forsyth Township. The board consists of the supervisor, clerk, treasurer and two trustees whom reside in the community.

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity," these financial statements present the township for financial reporting purposes. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency and whether the financial statements would be misleading if component unit data were not included. Accordingly, there are no other governmental organizations required to be included in the financial statements of the township.

JOINT VENTURE

The township is a member of the Marquette County Solid Waste Management Authority (Authority); a joint venture of the township and 21 other municipalities. The Authority was created pursuant to Act 233 of 1955 to: plan for, acquire, construct, finance, operate, maintain, repair and dispose of, whether by sale, lease or otherwise, an Act 641 landfill, including all improvements, appurtenances, easements, accessory facilities and structures, equipment, and other property part of or incidental to the landfill sufficient to satisfy the requirements of, and function as a solid waste disposal area under Act 641; to establish and administer procedures providing for the separation, recycling, recovery, conversion of solid waste to energy and for the disposition of such energy output and disposal at the site of Non-toxic Type II and Type III Solid Waste; to fund all of the above activities; to charge and collect fees in connection with the operation of the landfill; and to provide for the reimbursement with receipt of bond proceeds to the City of Marquette and Sands Township of their respective costs and expenses incurred in connection with the establishment and administration of the Solid Waste Authority and the System Facility.

The authority is governed by a board of trustees consisting of one member (who shall be the chairperson of the board of trustees) designated by the Sands Township Supervisor on behalf of the Sands Township, two members designated by the Marquette City Council, three members designated by the Marquette County Board of Commissioners, and one resident of the City of Marquette appointed by the other six authority board members.

FORSYTH TOWNSHIP--MARQUETTE COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The City of Marquette has pledged its full faith and credit for the Marquette County Solid Waste Management Bonds, Series 1988. These bonds are payable from the net revenues of the authority, as well as by each member of the authority to the extent of their pro rata share of the principal and interest requirement on the bonds. The township is a guarantor by pledging the full faith and credit of the township for their allocated portion of bonds issued by the authority in the amount of \$47,574 principal and \$8,346 interest outstanding as of March 31, 2006 at a variable interest rate for 20 years. The amount is not included as a liability in the accompanying financial statements. The authority allocates and charges as an operating expense annual fixed costs to each participant, including debt requirement of the authority's bonds that are guaranteed by the township. The annual amount including interest ranges from \$14,511 to \$15,668 per year and is included as a sanitation department expenditure in the accompanying financial statements.

In addition, bonds were issued to finance the township's portion of the initial construction costs and site search. These bonds are recorded as a liability in the Statement of Net Assets.

The audited financial statements of the Marquette County Solid Waste Management Authority can be obtained at 600 County Road NP, Marquette, Michigan 49855.

JOINTLY GOVERNED ORGANIZATION

Forsyth Township and West Branch Township have entered into an interlocal agreement on May 1, 2003 under Act 7, the Urban Cooperation Act of 1967 (MCL 124.501), to create the Sawyer Operations Authority (SOA), a separate legal entity. The purpose of the SOA is to provide management, development, and promotion for the community surrounding Sawyer International Airport (part of the former K.I. Sawyer Air Force Base). Costs of operations and capital expenditures are supported by contributions from the participating municipalities).

West Branch Township is the fiscal agent of the SOA. During the 2006 fiscal year, the Forsyth Township contributed \$18,227 to the SOA operations and are included in these financial statements.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

FORSYTH TOWNSHIP--MARQUETTE COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue. Indirect expenses are not allocated to a specific function or activity.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized when it is both measurable and available. Revenues are considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual, that is, when they become both measurable and available to finance expenditures of the fiscal period. Property taxes, intergovernmental revenue, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the township.

When both restricted and unrestricted resources are available for use, it is the township's policy to use restricted resources first, then unrestricted resources as they are needed.

FORSYTH TOWNSHIP--MARQUETTE COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The township reports the following major governmental funds:

- The General Fund is the township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The Clubhouse Fund accounts for the millage revenue and is reserved for the operation of the clubhouse.
- The Horseshoe Lake Assessor Plat Fund and the Little Shag Lake Assessor Plat Fund accounts for the special assessment revenue and is reserved for repayment to the General Fund for platting expenses paid for by the general fund.

The township reports the following major proprietary funds:

- The Water Fund accounts for the water operations of the township.
- The Sewer Fund accounts for the sewer operations of the township.

Additionally, the township reports the following fund type:

- Agency Funds--These funds account for assets held on behalf of outside parties, including other governments.

Private-sector standards of accounting and financial reporting, issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The township has elected to consistently apply all applicable Financial Accounting Standards Board (FASB) pronouncements issued subsequent to November 30, 1989 in accounting and reporting for its proprietary operation.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided; 2) operating grants and contributions; and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

FORSYTH TOWNSHIP--MARQUETTE COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services, and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water Fund relates to charges to customers for sales and services. The Water Fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and material to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses, not meeting this definition, are reported as nonoperating revenues and expenses.

Bank Deposits and Investments

For the purposes of the statement of cash flows, demand deposits and short-term investments with a maturity of three months or less, when acquired, are considered to be cash equivalents.

Investments are stated at fair value and short-term investments are reported at cost, which approximates fair value. Earnings from investments are allocated to numerous funds as required by Federal regulations, State statutes, and local ordinances.

Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements, outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds" in the modified accrual basis of accounting.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

FORSYTH TOWNSHIP--MARQUETTE COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

	<u>Governmental Funds</u>	<u>Enterprise Funds</u>
Land Improvements	15 to 30 years	
Building and Building Improvements	20 to 40 years	20 to 35 years
Vehicles	3 to 10 years	
Equipment	3 to 10 years	5 to 20 years
Sewer and Water System		20 to 50 years

Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period, or for resources that have been received but not yet earned.

Long-Term Obligations

In the government-wide financial statements and proprietary fund type statements, the long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Assets. For new bond issuances after the implementation of GASB Statement No. 34, bond premiums and discounts as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Compensated Absences (Vacation and Sick Leave)

It is the township's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. A liability for vacation and sick pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds (using the modified accrual basis of accounting) only for employee terminations as of year end.

FORSYTH TOWNSHIP--MARQUETTE COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE B--STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

The annual budget is prepared by the township supervisor and adopted by the township board at the annual public hearing. The township board approves all subsequent amendments to the budget. The General Fund and special revenue funds are under formal budgetary control. The budget has been prepared on the modified accrual basis, which is in accordance with generally accepted accounting principles. Unexpended appropriations lapse at year end. The budget has been adopted on an activity basis. Budgeted revenues and expenditures include any authorized amendments to the original budget as adopted. The budget adopted does not comply with all requirements established by Public Act 2 of 1968, as amended.

Excess of Expenditures Over Appropriation in Budgeted Funds

Public Act 2 of 1968, as amended, requires the adoption of a balanced budget for general and special revenue funds, as well as budget amendments as needed to prevent actual expenditures from exceeding those provided for in the budget.

FORSYTH TOWNSHIP--MARQUETTE COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE B--STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

During the year, the township incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated, as follows:

<u>Fund, Function and Activity</u>	<u>Final Amended Budget</u>	<u>Actual Expenditures</u>	<u>Excess Expenditures</u>
General Fund			
General Government			
Assessor	\$ 127,452	\$ 130,269	\$ (2,817)
Board of Review	500	1,252	(752)
Office Expenses	54,695	60,311	(5,616)
Elections	6,600	6,676	(76)
Building and Grounds	57,129	64,995	(7,866)
Public Safety			
Police Department	456,000	462,577	(6,577)
Fire Department	61,911	62,563	(652)
Ordinance Enforcement	2,100	7,024	(4,924)
Animal Control		191	(191)
Public Works			
DPW	127,900	131,848	(3,948)
Street Lights	46,500	91,330	(44,830)
Health and Welfare			
Senior Citizen	100,000	100,017	(17)
Other			
Insurance and Fringes	97,110	98,601	(1,491)
Retirement		7,508	(7,508)
Capital Outlay	329,224	330,498	(1,274)
Debt Service			
Principal	78,152	79,236	(1,084)
Transfers (Out)	46,280	51,486	(5,206)
Little Shag Lake			
Transfers (Out)		19	(19)

FORSYTH TOWNSHIP--MARQUETTE COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE B--STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

Fund Deficits

Forsyth Township has an accumulated deficit of \$35,302 and \$25,794 in the unrestricted fund balance in the Horseshoe Lake Assessor Plat Fund and Little Shag Lake Assessor Plat Fund, respectively.

Public Act 140 of 1971, as amended, requires Forsyth Township to file a deficit elimination plan with the Michigan Department of Treasury within 90 days after the end of the fiscal year for each fund that ended that year in a deficit condition. Forsyth Township has not filed the required plan.

NOTE C--DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the township to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States Banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Forsyth Township Board has designated two banks for the deposit of township funds. The investment policy adopted by the board, in accordance with Public Act 20 of 1943, as amended, has authorized investment in the instruments described in the preceding paragraph. The township's deposits and investment policy are in accordance with statutory authority.

At year end, the township's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash and Cash Equivalents	<u>\$1,088,933</u>	<u>\$ 247,712</u>	<u>\$ 32,220</u>	<u>\$ 1,368,865</u>
Total	<u><u>\$1,088,933</u></u>	<u><u>\$ 247,712</u></u>	<u><u>\$ 32,220</u></u>	<u><u>\$ 1,368,865</u></u>

FORSYTH TOWNSHIP--MARQUETTE COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE C--DEPOSITS AND INVESTMENTS (Continued)

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>
Bank Deposits (Checking and Savings Accounts, Certificates of Deposit)	\$ 1,368,275
Petty Cash and Cash on Hand	<u>590</u>
Total	<u><u>\$ 1,368,865</u></u>

The bank balance of the primary government's deposits is \$2,141,407, of which \$127,584 is covered by Federal depository insurance.

Investments Authorized by the Township's Investment Policy

The township's investment policy authorizes investment in all those that are authorized by law. As stated above, the township did not have any investments in the fiscal year ended March 31, 2006.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of an entity's investment in a single issuer where the investment is 5% or greater.

The township's investment policy requires assets to be diversified to eliminate the risk of loss resulting from over concentration in a specific maturity, individual financial institution(s), or a specific class of securities.

FORSYTH TOWNSHIP--MARQUETTE COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE C--DEPOSITS AND INVESTMENTS (Continued)

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Michigan law does not contain requirements that would limit the exposure to custodial credit risk for deposits. However, the asset diversification requirements included in the township's investment policy would limit, to some extent, exposure to custodial credit risk for deposits.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Michigan law does not contain legal requirements that would limit the exposure to custodial credit risk for investments. However, the township's investment policy does contain a safekeeping and custody section that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools. The township is not exposed to custodial credit risk for investments.

NOTE D--PROPERTY TAXES

Property taxes are levied on each December 1st on the taxable valuation of property located in the township as of the preceding December 31st. The township property taxes were levied and collectible on December 1, 2005. It is the policy of Forsyth Township to recognize revenue from the current tax levy in the fiscal year when proceeds of this levy are budgeted and made available for the financing of operations.

The 2005 taxable valuation of Forsyth Township amounted to \$130,499,384, less \$14,796,242 for renaissance zone on which ad valorem taxes of 6.0730 mills were levied for township operating purposes and 1.8591 for the clubhouse resulting in property tax revenue of \$702,665 and \$215,104, respectively, during the fiscal year ended March 31, 2006. These amounts are recognized in the respective General and Special Revenue Fund financial statements as tax revenue.

Taxes Receivable--Delinquent

The taxes receivable delinquent in the General Fund of \$112,877 and in the Clubhouse Fund of \$32,751 consist of uncollected real property taxes levied December 1, 2005, which have not been collected as of March 31, 2006.

FORSYTH TOWNSHIP--MARQUETTE COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE E--RECEIVABLES

At March 31, 2006, the accounts receivable for the General Fund were as follows:

	<u>Total Accounts Receivable</u>	<u>Allowance for Uncollectibles</u>	<u>Net Accounts Receivable</u>
General			
Ambulance Billings Receivable	\$ 262,601	\$(201,870)	\$ 60,731
Garbage	2,264		2,264
Cemetery Care	1,065		1,065
Fire Department	35,393		35,393
Cable Franchise Fee	28,855		28,855
	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 330,178</u>	<u>\$(201,870)</u>	<u>\$ 128,308</u>

The ambulance billings receivable, amounting to \$262,601, consists of amounts due from insurance companies and individuals for ambulance services provided for customers. Forsyth Township has no formal policy to record the net estimated collectible accounts receivable which is an unchanged estimate based on uncollectible amounts from a previous year.

Special Assessments Receivable--Governmental Funds

The township collects special assessments in the Horseshoe Lake Assessor Plat Fund and Little Shag Lake Assessor Plat Fund to collect for expenses incurred by the township to plat the area around the respective lakes. The special assessments are billed in December as they are included on the tax bills. As of March 31, 2006, the Horseshoe Lake Assessor Plat Fund and Little Shag Lake Assessor Plat Fund have special assessments receivable of \$35,302 and \$25,792, respectively.

Accounts Receivable--Proprietary Funds

The accounts receivable for the township are recorded in the Sewer and Water Fund. The receivable is based on the sewer and water services provided by the township. The receivables do not have an allowance for doubtful accounts because any receivables not collected are placed on the customer's tax bill. The receivable for the Sewer and Water Fund is \$24,373 and \$40,880, respectively.

Long-Term Receivable--General Fund

In May 2003, the Marquette County Economic Development Corporation (EDC) and Forsyth Township entered into an agreement whereby the EDC would pay the township \$330,000 over a 10 year period to make up for lost property taxes as a result of extending the renaissance zone at the former K.I. Sawyer Air Force Base. The township is to receive \$33,000 over a 10 year period starting May 2004. At March 31, 2006, the balance due to the township is \$231,000. This receivable is offset by deferred revenue as it will not be earned until collected.

FORSYTH TOWNSHIP--MARQUETTE COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE F--INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The current interfund receivables and payables between funds are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	\$ 36,587	Non-Major Governmental Agency Funds	\$ 3,357 5,973
Non-Major Governmental	<u>7,105</u>	Water General	27,257 <u>7,105</u>
Total Primary Government	<u>\$ 43,692</u>		<u>\$ 43,692</u>

The above interfund receivables and payables are the result of current expenditures that were paid by the receivable fund on behalf of the payable fund.

The amount of long-term interfund receivables and payables between funds are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	\$ 78,872	Horseshoe Lake Assessor Plat Little Shag Lake Assessor Plat	\$ 46,612 <u>32,260</u>
Total Primary Government	<u>\$ 78,872</u>		<u>\$ 78,872</u>

The above long-term receivables/payables are related to start up costs for the assessor plat funds, which will be paid back to the general fund when the special assessment receivables are collected.

The 2006 operating transfers from Exhibits D can be summarized as follows:

	<u>Transfers In</u>		<u>Transfers (Out)</u>
General	\$ 42,447	Non-Major Governmental Horseshoe Lake Assessor Plat Little Shag Lake Assessor Plat	\$ 41,815 613 19
Non-Major Governmental	<u>51,486</u>	General	<u>51,486</u>
Total	<u>\$ 93,933</u>		<u>\$ 93,933</u>

FORSYTH TOWNSHIP--MARQUETTE COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE G--CAPITAL ASSETS

Beginning Net Capital Asset Restatement

The prior list of the township's capital assets was maintained on a spreadsheet that calculated the total assets and total accumulated depreciation. However, errors in the formula of this spreadsheet led to errors in the totals for the governmental assets and respective accumulated depreciation balances.

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Adjustment to Beginning Balance</u>	<u>Restated Beginning Balance</u>
Capital Assets Not Being Depreciated			
Land	\$ 606,068	\$ 59,998	\$ 666,066
Subtotal	<u>606,068</u>	<u>59,998</u>	<u>666,066</u>
Capital Assets Being Depreciated			
Building and Building Improvements	1,214,586	99,480	1,314,066
Equipment and Vehicles	<u>1,817,136</u>	<u>31,402</u>	<u>1,848,538</u>
Subtotal	<u>3,031,722</u>	<u>130,882</u>	<u>3,162,604</u>
Less Accumulated Depreciation	(1,473,516)	(88,060)	(1,561,576)
Net Capital Assets Being Depreciated	<u>1,558,206</u>	<u>42,822</u>	<u>1,601,028</u>
Governmental Activities Capital Total Capital Assets--Net of Depreciation	<u>\$ 2,164,274</u>	<u>\$ 102,820</u>	<u>\$ 2,267,094</u>

FORSYTH TOWNSHIP--MARQUETTE COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE G--CAPITAL ASSETS (Continued)

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated				
Land	\$ 666,066		\$ 1,000	\$ 665,066
Subtotal	<u>666,066</u>	<u>\$ -</u>	<u>1,000</u>	<u>665,066</u>
Capital Assets Being Depreciated				
Building and Building Improvements	1,314,066			1,314,066
Equipment	670,770	\$16,092		686,862
Vehicles	1,177,768	319,483	66,791	1,430,460
Subtotal	<u>3,162,604</u>	<u>335,575</u>	<u>66,791</u>	<u>3,431,388</u>
Less Accumulated Depreciation for				
Building and Building Improvements	342,786	32,766		375,552
Equipment	352,410	65,003		417,413
Vehicles	866,380	95,242	66,791	894,831
Subtotal	<u>1,561,576</u>	<u>193,011</u>	<u>66,791</u>	<u>1,687,796</u>
Net Capital Assets Being Depreciated	<u>1,601,028</u>	<u>142,564</u>	<u>-</u>	<u>1,743,592</u>
Governmental Activities Capital Total Capital Assets--Net of Depreciation	<u>\$ 2,267,094</u>	<u>\$ 142,564</u>	<u>\$ 1,000</u>	<u>\$ 2,408,658</u>

The depreciation expense was \$193,011 during the year as follows:

Governmental Activities	
General Governmental	\$ 15,361
Public Safety	76,579
Public Works	33,882
Health and Welfare	29,443
Recreational and Cultural	<u>37,746</u>
Total Depreciation	<u>\$ 193,011</u>

FORSYTH TOWNSHIP--MARQUETTE COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE G--CAPITAL ASSETS (Continued)

Capital asset activity of the township for the current year was as follows:

<u>Business-Type Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated				
Sewer Land and Improvements	\$ 9,761			\$ 9,761
Water Land and Improvements	4,399			4,399
Sewer Construction in Progress	7,656	\$ 11,413		19,069
Subtotal	<u>21,816</u>	<u>11,413</u>	<u>\$ -</u>	<u>33,229</u>
Capital Assets Being Depreciated				
Sewer Buildings and Improvements	1,664			1,664
Water Buildings and Improvements	435,458			435,458
Sewer Distribution System	1,834,746			1,834,746
Water Distribution System	1,609,046			1,609,046
Sewer Equipment	90,915	8,818		99,733
Water Equipment	57,089			57,089
Subtotal	<u>4,028,918</u>	<u>8,818</u>	<u>-</u>	<u>4,037,736</u>
Less Accumulated Depreciation for				
Sewer Buildings and Improvements	1,664			1,664
Water Buildings and Improvements	283,271	10,899		294,170
Sewer Distribution System	1,034,209	49,466		1,083,675
Water Distribution System	707,973	7,631		715,604
Sewer Equipment	90,192	1,347		91,539
Water Equipment	57,089			57,089
Subtotal	<u>2,174,398</u>	<u>69,343</u>	<u>-</u>	<u>2,243,741</u>
Net Capital Assets Being Depreciated	<u>1,854,520</u>	<u>(60,525)</u>	<u>-</u>	<u>1,793,995</u>
Business-Type Activities Capital Total Capital Assets--Net of Depreciation	<u>\$ 1,876,336</u>	<u>\$ (49,112)</u>	<u>\$ -</u>	<u>\$ 1,827,224</u>

FORSYTH TOWNSHIP--MARQUETTE COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE G--CAPITAL ASSETS (Continued)

The depreciation expense was \$69,343 during the year as follows:

Business-Type Activities	
Sewer	\$50,813
Water	<u>18,530</u>
Total Business-Type Activities	<u><u>\$69,343</u></u>

NOTE H--LONG-TERM DEBT

The township issues bonds to provide for the acquisition and construction of major capital improvements. General obligation bonds are direct obligations and pledge the full faith and credit of the township. Special assessment bonds provide for capital improvements that benefit specific properties and will be repaid from amounts levied against those properties benefited from the construction. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

FORSYTH TOWNSHIP--MARQUETTE COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE H--LONG-TERM DEBT (Continued)

Bond and contractual obligation activity can be summarized as follows:

	<u>Balance 04/01/05</u>	<u>Additions (Reductions)</u>	<u>Balance 03/31/06</u>	<u>Due Within One Year</u>
<u>Governmental Activities</u>				
Forsyth Township Lease Installment Payable of \$300,000 for ten years at an interest rate of 4.34% due in semiannual installments for the purchase of a new fire truck.		\$ 300,000 (27,714)	\$ 272,286	\$ 25,373
Forsyth Township Lease Installment Payable of \$135,986 for ten years at an interest rate of 6.15% due in annual installments for the purchase of a new fire truck.	\$ 34,043	(16,514)	17,529	17,529
Forsyth Township Land Contract of \$50,000 for three years at an interest rate of 2% over prime in annual installments for the purchase of land.	19,418	(19,418)	-	
Forsyth Township share of Solid Waste Landfill Bond Series 1988 for 20 years at an average coupon rate of 4.919% for the expansion of the landfill.	70,523	(15,589)	54,934	16,703
Vested Employee Benefits Payable	<u>89,195</u>	<u>(20,578)</u>	<u>68,617</u>	
Total Governmental Activities	<u>\$ 213,179</u>	<u>\$ (99,813)</u>	<u>\$ 413,366</u>	<u>\$ 59,605</u>
<u>Business-Type Activities</u>				
Forsyth Township bonds due in annual installments of \$10,000 to \$15,000 for 25 years at an interest rate of 5% for additions to the sewer system.	\$ 110,000	\$ (10,000)	\$ 100,000	\$ 10,000
Forsyth Township bonds due in annual installments of \$10,000 to \$15,000 for 38 years at an interest rate of 5% for additions to the sewer system.	40,000	(15,000)	25,000	15,000
Forsyth Township refunded bonds due in semiannual installments of \$50,000 to \$70,000 for 10 years at a variable interest rate of 3.8% to 4.5% for additions to the water system.	<u>130,000</u>	<u>(60,000)</u>	<u>70,000</u>	<u>70,000</u>
Total Business-Type Activities	<u>\$ 280,000</u>	<u>\$ (85,000)</u>	<u>\$ 195,000</u>	<u>\$ 95,000</u>

FORSYTH TOWNSHIP--MARQUETTE COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE H--LONG-TERM DEBT (Continued)

The annual requirements to pay the principal and interest on the township's long-term debt obligations outstanding at March 31, 2006, are as follows:

Annual Principal and Interest Requirements

Date of Issue: December 13, 2004

Amount: \$300,000

Purpose: Fire Truck

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 25,373	\$ 11,817	\$ 37,190
2007	26,474	10,716	37,190
2008	27,623	9,567	37,190
2009	28,822	8,368	37,190
2010	30,073	7,117	37,190
2011-2014	<u>133,921</u>	<u>14,837</u>	<u>148,758</u>
	<u>\$272,286</u>	<u>\$ 62,422</u>	<u>\$ 334,708</u>

Date of Issue: October 16, 1996

Amount: \$135,986

Purpose: Fire Truck

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	<u>\$17,529</u>	<u>\$1,078</u>	<u>\$18,607</u>
	<u>\$17,529</u>	<u>\$1,078</u>	<u>\$18,607</u>

Date of Issue: November 1, 1989

Amount: \$175,565

Purpose: Landfill Expansion

<u>Year</u>	<u>May 1 Principal</u>	<u>May 1 Interest</u>	<u>Nov 1 Interest</u>	<u>Annual Total</u>
2006			\$ 1,782	\$ 1,782
2007	\$ 16,703	\$ 1,772	1,345	19,820
2008	18,188	1,336	501	20,025
2009	<u>20,043</u>	<u>501</u>		<u>20,544</u>
	<u>\$ 54,934</u>	<u>\$3,609</u>	<u>\$ 3,628</u>	<u>\$ 62,171</u>

FORSYTH TOWNSHIP--MARQUETTE COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE H--LONG-TERM DEBT (Continued)

Date of Issue: July 20, 1979

Amount: \$280,000

Purpose: Sewer System Expansion

<u>Year</u>	<u>Principal March 31</u>	<u>Interest</u>	<u>Annual Total</u>
2007	\$ 10,000	\$ 5,000	\$ 15,000
2008	15,000	500	15,500
2009	15,000	3,750	18,750
2010	15,000	3,000	18,000
2011	15,000	2,250	17,250
2012-2013	<u>30,000</u>	<u>2,250</u>	<u>32,250</u>
	<u>\$100,000</u>	<u>\$16,750</u>	<u>\$116,750</u>

Date of Issue: December 14, 1970

Amount: \$400,000

Purpose: Sewer System Expansion

<u>Year</u>	<u>Principal March 31</u>	<u>Interest</u>	<u>Annual Total</u>
2007	\$15,000	\$ 1,250	\$16,250
2008	<u>10,000</u>	<u>500</u>	<u>10,500</u>
	<u>\$25,000</u>	<u>\$ 1,750</u>	<u>\$26,750</u>

Date of Issue: June 23, 2005

Amount: \$420,000

Purpose: Establish Water System District #11

<u>Year</u>	<u>Principal March 1</u>	<u>Interest</u>	<u>Annual Total</u>
2007	<u>\$ 70,000</u>	<u>\$3,255</u>	<u>\$ 73,255</u>
	<u>\$ 70,000</u>	<u>\$3,255</u>	<u>\$ 73,255</u>

FORSYTH TOWNSHIP--MARQUETTE COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE I--COMPENSATED ABSENCES

Vested Employee Benefits Payable

The township has an accrued liability for accumulated vested vacation, compensatory time and sick leave benefits payable for its employees. As of March 31, 2006, the accumulated vested vacation, compensatory time and sick leave benefits of the employees of various township departments were as follows:

Vested Employee Benefits Payable--Primary Government

	<u>Vacation</u> <u>03/31/06</u>	<u>Sick</u> <u>03/31/06</u>	<u>Compensatory</u> <u>03/31/06</u>	<u>Total</u>
Vested Employee Benefits Payable				
Township General Employees	\$ 44,075	\$19,906	\$4,636	\$ 68,617
Sewer Employees	7,045	5,883	22	12,950
Water Employees	<u>10,859</u>	<u>18,278</u>	<u>531</u>	<u>29,668</u>
Total Vested Employee Benefits Payable	<u>\$ 61,979</u>	<u>\$44,067</u>	<u>\$5,189</u>	<u>\$111,235</u>

Substantially all township employees are entitled to certain vacation and sick pay benefits that accrue and vest under various parameters. The amounts depend upon which labor contract the employee is subject to or upon which department or fund the employee is within. Accrued benefits for all governmental fund types are reported as long-term debt.

NOTE J--EMPLOYEES' RETIREMENT SYSTEM

PRIMARY GOVERNMENT

Description of Plan and Plan Assets

Forsyth Township is in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS), administered by the State of Michigan. The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, nonduty-connected death and post-retirement adjustments to plan members and their beneficiaries. The service requirement for Steelworkers, Police Officers, and Administrative Employees, is computed using credited service at the time of termination of membership multiplied by the sum of 2.5% times the final average compensation (FAC), with a maximum benefit of 80% of FAC. The service requirement for the Chief of Police is computed using credited service at the time of termination of membership multiplied by the sum of 2.25% of (FAC), with a maximum benefit of 80% of FAC. The most recent period for which actuarial data was available was for the fiscal year ended December 31, 2004.

FORSYTH TOWNSHIP--MARQUETTE COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE J--EMPLOYEES' RETIREMENT SYSTEM (Continued)

MERS was organized pursuant to Section 12a of Public Act 156 of 1851, as amended (MCL 46.12a). MERS is regulated under Public Act 427 of 1984, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MERS at 1134 Municipal Way, Lansing, Michigan 48917.

Funding Policy

Steelworkers, Police Officers, and Administrative Employees contribute 3% of the first \$4,200 of annual compensation and 5% of portions over \$4,200. The Chief of Police is not required to contribute a percentage of his annual compensation. The township's pension contributions of covered payroll for the period ending December 31, 2004 were 21.25% for Steelworkers, 9.07% for Police Officers, 35.76% for Administrative Employees, and 16.68% for the Chief of Police, respectively.

If a member leaves the employ of the municipality or dies, without a retirement allowance or other benefit payable on his account, the member's accumulated contributions (with 5% interest) are refunded to the member, if living, or to the member's beneficiary.

Annual Pension Cost

During the calendar year ended December 31, 2004, the township's contributions totaled \$144,263 and the employee contributions totaled \$35,128; these contributions were made in accordance with the contribution requirement determined by an actuarial valuation of the plan as of December 31, 2002, and personnel agreement. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8% and annual salary increases of 4.5% plus a percentage based on an age-related scale to reflect merit, longevity, and promotional salary increases.

FORSYTH TOWNSHIP--MARQUETTE COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE J--EMPLOYEES' RETIREMENT SYSTEM (Continued)

Three Year Trend Information for GASB Statement No. 27

<u>Year Ended Dec 31</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2002	\$129,794	100%	\$0
2003	124,965	100%	0
2004	144,263	100%	0

Required Supplementary Information for GASB Statement No. 27

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Underfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percent of Covered Payroll</u>
12/31/02	\$ 1,580,153	\$ 2,967,650	\$ 1,387,497	53%	\$ 625,190	222%
12/31/03	1,812,308	3,025,328	1,213,020	60%	621,792	195%
12/31/04	2,017,660	3,594,531	1,576,871	56%	701,574	225%

NOTE K--SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The township maintains an enterprise fund that provides water services. Segment information for the year ended March 31, 2006, was as follows:

	<u>Sewer</u>	<u>Water</u>
Operating Revenues	\$ 177,296	\$ 429,092
Operating Income (Loss)	(21,025)	137,016
Net Income (Loss)	(22,660)	132,316
Capital Assets Less		
Accumulated Depreciation	788,094	1,039,130
Long-Term Debt	125,000	70,000
Total Assets	959,417	1,187,065
Total Equity	813,971	1,052,790

FORSYTH TOWNSHIP--MARQUETTE COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE L--DEFERRED COMPENSATION PLAN

Primary Government

Forsyth Township offers all employees a deferred compensation plan created in accordance with the Internal Revenue Code (IRC), Section 457. The assets of the plan are held in a trust, custodial account or annuity contract described in IRC Section 457(g) for the exclusive benefit of the participants (employees) and their beneficiaries. The custodial account is held by the custodian for the exclusive benefit of the participants and beneficiaries of these Section 457 plans and the assets may not be diverted to any other use. The administrator (Nationwide Retirement Solutions) is an agent of the employer. The administrator provides direction to the custodian, from time to time, regarding the investment of the funds held in the account, transfer of assets to or from the account and all other matters. In accordance with the provisions of GASB Statement No. 32, plan balances and activities are not reflected in the township's financial statements.

NOTE M--RISK MANAGEMENT

Forsyth Township is exposed to various risks of loss related to property loss, torts, and errors and omissions and employees injuries (workers' compensation). The township has purchased commercial insurance coverage through various policies for general liability, property, vehicle and workmans' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

The Michigan Township's Participating Plan (Plan) operates as an insurance pool for local units of government in Michigan. The Plan purchases commercial insurance on behalf of its members at a lower cost than would be available on an individual basis.

NOTE N--CONTINGENCIES

Two utility companies have pending appeals against the township with the Michigan Tax Tribunal. They are appealing the multiplier for determining personal property taxes of such utilities. Some of the utilities have paid the lower amount (as claimed in the appeal) to the township. The other utilities have paid the full amount as billed by the township. The outcome is not determined, but could result in significant refunds of taxes by the township and other governmental units to the plaintiffs (taxpayers). The township's portion of estimated refunds to taxpayers is as follows, excluding interest:

Tax Year 2000 to 2003	\$39,100
Tax Year 2004	10,100
Total	<u><u>\$49,200</u></u>

The estimated amount due from the taxpayers, should the township prevail in the appeal, is approximately \$6,900, excluding interest as of the balance sheet date.

FORSYTH TOWNSHIP--MARQUETTE COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE O--SUBSEQUENT EVENT

Also, Louisiana Pacific Corporation received a consent judgment of \$23,071 on October 19, 2006, reducing the assessed valuation of personal property taxes, which is to be paid by the township in 2006 and 2007.

NOTE P--RESTATEMENT OF FUND BALANCE/NET ASSETS

Beginning Fund Balance Restatement

In previous years, the general fund paid for the assessor to plat areas around Horseshoe Lake and Little Shag Lake. These expenses are to be recovered through future special assessments to be collected by the Horseshoe Lake Assessor Plat Fund and the Little Shag Lake Assessor Plat Fund. However, the long-term special assessments and the related liability from these funds to the general fund have not been recorded and the related receivable in the general fund is unrecorded. The fund balance is being restated as follows to record these accounts.

	<u>General</u>	<u>Horseshoe Lake Assessor Plat</u>	<u>Little Shag Lake Assessor Plat</u>
Fund Balance--March 31, 2005	\$ 750,866	\$ 12,256	
Long-Term Special Assessment Owed to General Fund	<u>91,078</u>	<u>(58,837)</u>	<u>\$(32,241)</u>
Restated Fund Balance--March 31, 2005	<u><u>\$ 841,944</u></u>	<u><u>\$(46,581)</u></u>	<u><u>\$(32,241)</u></u>

Restatement to Net Assets

The net assets of the governmental activities are being restated for the following reasons:

Beginning Net Assets		\$3,172,266
Adjustment to Net Assets		
Restatement of Capital Assets	\$ 102,820	
Increase for Long-Term Special Assessments	79,311	
Reduction of Revenue Earned But Not Received or Earned	<u>(24,473)</u>	<u>157,658</u>
Restated Net Assets at March 31, 2005		<u><u>\$3,329,924</u></u>

The restatement of capital assets is explained in Note G. The increase for the long-term special assessment is explained in the restatement to fund balance above. The reduction of revenue earned is to reduce the net assets for delinquent personal property taxes that were recorded as a receivable but not yet received and for grant revenue received under the Metro Act that has not been earned by the township as the funds have not been spent on township roads.

**FORSYTH TOWNSHIP--MARQUETTE COUNTY
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended March 31, 2006**

EXHIBIT I

	BUDGETED AMOUNTS			Variance With Final Budget Positive (Negative)
	Original Budget	Final Amended Budget	Actual	
Revenues				
Taxes	\$ 779,529	\$ 779,529	\$ 804,868	\$ 25,339
Licenses and Permits	1,000	1,000	35,963	34,963
Federal Grants	1,145	1,145	8,750	7,605
State Grants	490,927	490,927	563,244	72,317
Contributions From Local Units	93,391	93,391	80,221	(13,170)
Charge for Services	124,040	124,040	194,540	70,500
Fines and Forfeitures	1,000	1,000	-	(1,000)
Interest and Rentals	8,134	10,022	20,375	10,353
Other Revenue	93,663	93,663	40,450	(53,213)
Total Revenue	1,592,829	1,594,717	1,748,411	153,694
Expenditures				
General Government	522,705	440,072	427,519	12,553
Public Safety	566,973	538,238	550,582	(12,344)
Public Works	229,282	205,282	246,730	(41,448)
Health and Welfare	195,902	181,200	180,085	1,115
Community and Economic Development	10,350	7,800	7,174	626
Recreational and Cultural	4,545	4,545	4,545	-
Other	117,110	110,110	106,109	4,001
Capital Outlay	401,724	329,224	330,498	(1,274)
Debt Service	90,444	90,444	91,528	(1,084)
Total Expenditures	2,139,035	1,906,915	1,944,770	(37,855)
Excess of Revenues Over (Under) Expenditures	(546,206)	(312,198)	(196,359)	115,839
Other Financing Sources (Uses)				
Installment Loan Proceeds	300,000	300,000	300,000	-
Operating Transfers In	14,400	51,590	42,447	(9,143)
Operating Transfers (Out)	(81,175)	(46,280)	(51,486)	(5,206)
Total Other Financing Sources (Uses)	233,225	305,310	290,961	(14,349)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(312,981)	(6,888)	94,602	101,490
Fund Balance--April 1, 2005	750,866	750,866	750,866	-
Restatement to Fund Balance	-	-	91,078	91,078
Restated Fund Balance--April 1, 2005	750,866	750,866	841,944	91,078
Fund Balance--March 31, 2006	\$ 437,885	\$ 743,978	\$ 936,546	\$ 192,568

The Notes to Financial Statements are an integral part of this statement.

**FORSYTH TOWNSHIP--MARQUETTE COUNTY
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
CLUBHOUSE FUND--MAJOR SPECIAL REVENUE FUND
For the Year Ended March 31, 2006**

EXHIBIT J

	BUDGETED AMOUNTS		Actual	Variance With Final Budget
	Original	Final		Positive (Negative)
Revenues				
Taxes	\$ 209,250	\$ 209,250	\$ 215,593	\$ 6,343
Charges for Services	2,250	2,250	4,733	2,483
Interest	500	500	1,495	995
Other	-	-	935	935
Total Revenues	212,000	212,000	222,756	10,756
Expenditures				
Recreational and Cultural	192,738	192,738	155,693	(37,045)
Total Expenditures	192,738	192,738	155,693	(37,045)
Excess of Revenues Over (Under) Expenditures	19,262	19,262	67,063	(26,289)
Fund Balance--April 1, 2005	-	-	126,260	126,260
Fund Balance--March 31, 2006	\$ 19,262	\$ 19,262	\$ 193,323	\$ 174,061

The Notes to Financial Statements are an integral part of this statement.

**FORSYTH TOWNSHIP--MARQUETTE COUNTY
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
HORSESHOE LAKE ASSESSOR PLAT
MAJOR SPECIAL REVENUE FUND
For the Year Ended March 31, 2006**

EXHIBIT K

	BUDGETED AMOUNTS			Variance With Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive (Negative)</u>
Revenues				
Interest and Rentals	\$ 150	\$ 150	\$ 125	\$ (25)
Special Assessments	11,767	11,767	11,767	-
Total Revenues	11,917	11,917	11,892	(25)
Expenditures				
General Government	250	250	-	(250)
Total Expenditures	250	250	-	(250)
Excess of Revenues Over (Under) Expenditures	11,667	11,667	11,892	(275)
Other Financing Sources (Uses)				
Interfund Transfers (Out)	(11,517)	(11,517)	(613)	10,904
Total Other Financing Sources (Uses)	(11,517)	(11,517)	(613)	10,904
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	150	150	11,279	11,129
Fund Balance--April 1, 2005	-	-	12,256	12,256
Restatement to Fund Balance	-	-	(58,837)	(58,837)
Restated Fund Balance--April 1, 2005	-	-	(46,581)	(46,581)
Fund Balance (Deficit)--March 31, 2006	\$ 150	\$ 150	\$ (35,302)	\$ (35,452)

The Notes to Financial Statements are an integral part of this statement.

**FORSYTH TOWNSHIP--MARQUETTE COUNTY
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
LITTLE SHAG LAKE ASSESSOR PLAT
MAJOR SPECIAL REVENUE FUND
For the Year Ended March 31, 2006**

EXHIBIT L

	BUDGETED AMOUNTS			Variance With Final Budget
	Original	Final	Actual	Positive (Negative)
Revenues				
Interest and Rentals	-	-	\$ 19	\$ 19
Special Assessments	-	-	6,449	6,449
Total Revenues	<u>\$ -</u>	<u>\$ -</u>	<u>6,468</u>	<u>6,468</u>
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>6,468</u>	<u>6,468</u>
Other Financing Sources (Uses)				
Interfund Transfers (Out)	-	-	(19)	(19)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(19)</u>	<u>(19)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>-</u>	<u>-</u>	<u>6,449</u>	<u>6,449</u>
Fund Balance--April 1, 2005	-	-	-	-
Restatement to Fund Balance	-	-	(32,241)	(32,241)
Restated Fund Balance--April 1, 2005	<u>-</u>	<u>-</u>	<u>(32,241)</u>	<u>(32,241)</u>
Fund Balance (Deficit)--March 31, 2006	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (25,792)</u>	<u>\$ (25,792)</u>

The Notes to Financial Statements are an integral part of this statement.

FORSYTH TOWNSHIP--MARQUETTE COUNTY
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
March 31, 2006

EXHIBIT M

	<u>PERMANENT</u>	<u>SPECIAL REVENUE FUNDS</u>					Total
	<u>FUND</u>						
	Cemetery Perpetual Care	Township Improvement	Library	Senior Citizens Grant	Sidewalk		
<u>ASSETS</u>							
Cash and Cash Equivalents	\$ 162,196	\$ 41,342	\$ 67,578				\$ 271,116
Accounts Receivable			3,133				3,133
Interest Receivable	621		3				624
Due From Other Funds			7,105				7,105
Total Assets	<u>\$ 162,817</u>	<u>\$ 41,342</u>	<u>\$ 77,819</u>	<u>\$ -</u>	<u>\$ -</u>		<u>\$ 281,978</u>
<u>LIABILITIES AND FUND BALANCES</u>							
Accounts Payable			\$ 671				\$ 671
Due to Other Funds	\$ 3,357						3,357
Accrued Liabilities			181				181
Total Liabilities	<u>3,357</u>	<u>\$ -</u>	<u>852</u>	<u>\$ -</u>	<u>\$ -</u>		<u>4,209</u>
Fund Balances							
Reserved for Perpetual Care	159,460						159,460
Unreserved--Undesignated		41,342	76,967				118,309
Total Fund Balances	<u>159,460</u>	<u>41,342</u>	<u>76,967</u>			<u>-</u>	<u>277,769</u>
Total Liabilities and Fund Balances	<u>\$ 162,817</u>	<u>\$ 41,342</u>	<u>\$ 77,819</u>	<u>\$ -</u>	<u>\$ -</u>		<u>\$ 281,978</u>

FORSYTH TOWNSHIP--MARQUETTE COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended March 31, 2006

EXHIBIT N

	<u>PERMANENT</u>	<u>SPECIAL REVENUE FUNDS</u>					Total
	<u>FUND</u>						
	Cemetery Perpetual Care	Township Improvement	Library	Senior Citizens Grant	Sidewalk		
Revenues							
State Grants			\$ 4,830				\$ 4,830
Charges for Services	\$ 4,050		95				4,145
Fines and Forfeits			19,236				19,236
Interest and Rentals	3,978	\$ 991	872		\$ 112		5,953
Other			899				899
Total Revenues	8,028	991	25,932	\$ -	112		35,063
Expenditures							
General Government		250					250
Recreational and Cultural			70,099				70,099
Capital Outlay			5,077				5,077
Total Expenditures	-	250	75,176	-	-		75,426
Excess of Revenue Over (Under) Expenditures	8,028	741	(49,244)	-	112		(40,363)
Other Financing Sources (Uses)							
Interfund Transfers In			51,486				51,486
Interfund Transfers (Out)	(3,357)	(37,190)		(1,268)			(41,815)
Total Other Financing Sources (Uses)	(3,357)	(37,190)	51,486	(1,268)	-		9,671
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	4,671	(36,449)	2,242	(1,268)	112		(30,692)
Fund Balance--April 1, 2005	154,789	77,791	74,725	1,268	(112)		308,461
Fund Balance--March 31, 2006	\$ 159,460	\$ 41,342	\$ 76,967	\$ -	\$ -		\$ 277,769

FORSYTH TOWNSHIP--MARQUETTE COUNTY
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
March 31, 2006

EXHIBIT O

	<u>AGENCY FUNDS</u>		
	Trust and Agency	Tax Collection	Total
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 28,792	\$ 3,428	\$ 32,220
Total Assets	<u>\$ 28,792</u>	<u>\$ 3,428</u>	<u>\$ 32,220</u>
<u>LIABILITIES</u>			
Liabilities			
Due to Other Funds	\$ 2,545	\$ 3,428	\$ 5,973
Undistributed Receipts	26,247		26,247
Total Liabilities	<u>\$ 28,792</u>	<u>\$ 3,428</u>	<u>\$ 32,220</u>

**FORSYTH TOWNSHIP--MARQUETTE COUNTY
STATEMENT OF REVENUES
BUDGET AND ACTUAL--GENERAL FUND
For the Year Ended March 31, 2006**

EXHIBIT P

	Original Budget	Final Amended Budget	Actual	Variance With Final Budget Positive (Negative)
<u>REVENUES</u>				
Property Taxes				
Current Property Taxes	\$ 706,675	\$ 706,675	\$ 704,602	\$ (2,073)
Delinquent Real Prop Taxes	-	-	9,819	9,819
Homestead and Swampland Taxes	40,004	40,004	40,004	-
Trailer Park Taxes	225	225	227	2
Commercial Forest Reserve	1,600	1,600	1,204	(396)
Interest on Delinquent Taxes	25	25	273	248
Administrative Fees	31,000	31,000	48,739	17,739
Total Property Taxes	779,529	779,529	804,868	25,339
Licenses and Permits				
Dog Licenses	1,000	1,000	555	(445)
Cable Franchise	-	-	35,408	35,408
Total Licenses and Permits	1,000	1,000	35,963	34,963
Federal Aid				
USDA Grant--Police Vehicle	1,145	1,145	8,750	7,605
Total Federal Aid	1,145	1,145	8,750	7,605
State Aid				
Act 302 Training	-	-	596	596
State Revenue Sharing	485,927	485,927	555,667	69,740
Liquor Law	5,000	5,000	4,931	(69)
Volunteer Fire Assistance Grant	-	-	2,050	2,050
Total State Aid	490,927	490,927	563,244	72,317
Contributions From Local Units				
Marquette County--Sawyer Operations	13,546	13,546	13,546	-
Marquette County--Senior Citizen Center	79,845	79,845	66,675	(13,170)
Total Contributions From Local Units	93,391	93,391	80,221	(13,170)
Charge for Services				
Zoning Permits	6,000	6,000	8,585	2,585
Grave Openings	4,000	4,000	4,610	610
Upkeep of Cemetery Lots	520	520	320	(200)
Ambulance Service Fees	100,000	100,000	124,019	24,019
Fire Department Charges	6,000	6,000	28,469	22,469
Office and Secretarial Services	5,520	5,520	5,520	-
Sale of Cemetery Lots	2,000	2,000	2,600	600
Transfer Station/Garbage Charges	-	-	12,043	12,043
Police Department Charges for Services	-	-	6,735	6,735
Plat Books	-	-	482	482
Copies/Other CFS	-	-	1,157	1,157
Total Charge for Services	124,040	124,040	194,540	70,500

**FORSYTH TOWNSHIP--MARQUETTE COUNTY
STATEMENT OF REVENUES
BUDGET AND ACTUAL--GENERAL FUND
For the Year Ended March 31, 2006**

**EXHIBIT P
(CONTINUED)**

	Original Budget	Final Amended Budget	Actual	Variance With Final Budget Positive (Negative)
<u>REVENUES</u>				
Fines and Forfeitures				
Traffic and Ordinance Fines	1,000	1,000	-	(1,000)
Total Fines and Forfeitures	1,000	1,000	-	(1,000)
Interest and Rentals				
Interest	1,800	1,800	14,031	12,231
Rent	6,334	8,222	6,344	(1,878)
Total Interest and Rentals	8,134	10,022	20,375	10,353
Other Revenue				
Cash Over and Short	55,600	55,600	(3,938)	(59,538)
School Election Reimbursement	2,063	2,063	2,063	-
Marquette EDC	33,000	33,000	33,000	-
Sale of Fixed Assets	-	-	2,075	2,075
Contributions and Donations	2,000	2,000	4,713	2,713
Reimbursements	1,000	1,000	649	(351)
Insurance and Surety Bond Refunds	-	-	1,888	1,888
Total Other Revenue	93,663	93,663	40,450	(53,213)
Total Revenue	1,592,829	1,594,717	1,748,411	153,694
Other Financing Sources				
Installment Loan Proceeds	300,000	300,000	300,000	-
Operating Transfers In	14,400	51,590	42,447	(9,143)
Total Other Financing Sources	314,400	351,590	342,447	(9,143)
Total Revenue and Other Financing Sources	\$ 1,907,229	\$ 1,946,307	\$ 2,090,858	\$ 144,551

FORSYTH TOWNSHIP--MARQUETTE COUNTY
STATEMENT OF EXPENDITURES
BUDGET AND ACTUAL--GENERAL FUND
For the Year Ended March 31, 2006

EXHIBIT Q

	Original Budget	Final Amended Budget	Actual	Variance With Final Budget Positive (Negative)
General Government				
Township Board	\$ 13,082	\$ 12,597	\$ 11,832	\$ 765
Supervisor	14,245	14,245	14,245	-
Audit	10,894	10,894	10,894	-
Assessor	141,764	127,452	130,269	(2,817)
Clerk	12,134	12,134	12,134	-
Board of Review	3,372	500	1,252	(752)
Treasurer	10,024	10,024	10,024	-
Tax Office Expense	15,000	15,000	14,745	255
Office Expenses	71,530	54,695	60,311	(5,616)
Elections	8,410	6,600	6,676	(76)
Building and Grounds	110,390	57,129	64,995	(7,866)
Attorney	18,245	18,245	18,245	-
Cemetery	38,358	29,300	29,116	184
General Administration	55,257	71,257	42,781	28,476
Total General Government	522,705	440,072	427,519	12,553
Public Safety				
Police Department	480,000	456,000	462,577	(6,577)
Fire Department	60,023	61,911	62,563	(652)
Ordinance Enforcement	8,723	2,100	7,024	(4,924)
Animal Control	-	-	191	(191)
Sawyer Operations Authority	18,227	18,227	18,227	-
Total Public Safety	566,973	538,238	550,582	(12,344)
Public Works				
DPW	145,000	127,900	131,848	(3,948)
Street Lights	64,000	46,500	91,330	(44,830)
Landfill	1,200	-	-	-
Transfer Station	3,500	20,000	16,484	3,516
Road Work	10,000	5,300	1,486	3,814
Engineering Fees	5,582	5,582	5,582	-
Total Public Works	229,282	205,282	246,730	(41,448)
Health and Welfare				
Ambulance	89,290	81,200	80,068	1,132
Senior Citizen	106,612	100,000	100,017	(17)
Total Health and Welfare	195,902	181,200	180,085	1,115
Community and Economic Development				
Planning Commission	6,259	5,000	4,666	334
Zoning Board of Appeals	4,091	2,800	2,508	292
Total Community and Economic Development	10,350	7,800	7,174	626

**FORSYTH TOWNSHIP--MARQUETTE COUNTY
STATEMENT OF EXPENDITURES
BUDGET AND ACTUAL--GENERAL FUND
For the Year Ended March 31, 2006**

**EXHIBIT Q
(CONTINUED)**

	Original Budget	Final Amended Budget	Actual	Variance With Final Budget Positive (Negative)
Recreational and Cultural				
Community Promotion	4,545	4,545	4,545	-
Total Recreational and Cultural	4,545	4,545	4,545	-
Other				
Insurance and Fringes	97,110	97,110	98,601	(1,491)
Retirement	-	-	7,508	(7,508)
Contingency	20,000	13,000	-	13,000
Total Other	117,110	110,110	106,109	4,001
Capital Outlay	401,724	329,224	330,498	(1,274)
Total Capital Outlay	401,724	329,224	330,498	(1,274)
Debt Service				
Principal Payments	78,152	78,152	79,236	(1,084)
Interest Expense	12,292	12,292	12,292	-
Total Debt Service	90,444	90,444	91,528	(1,084)
Other Financing Sources				
Operating Transfers (Out) Library	50,175	46,280	51,486	(5,206)
Operating Transfers (Out) Sewer	31,000	-	-	-
Total Other Financing Sources	81,175	46,280	51,486	(5,206)
Total Expenditures	\$ 2,220,210	\$ 1,953,195	\$ 1,996,256	\$ (40,458)



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

ROBERT J. KLEINE
STATE TREASURER

January 25, 2007

Forsyth Township Board
P.O. Box 1360
186 West Flint Street
Gwinn, Michigan 49841

RE: Report on Internal Control Over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance With Government Auditing Standards

Dear Board Members:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Forsyth Township, Marquette County, Michigan, as of and for the year ended March 31, 2006, which collectively comprise Forsyth Township's basic financial statements and have issued our report thereon dated January 25, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Forsyth Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the effectiveness of internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Forsyth Township's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all matters in the internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we noted certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that could adversely affect the Forsyth Township's ability to initiate,

authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Forsyth Township's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying comments and recommendations to be significant deficiencies in internal control over financial reporting which are listed as items 06-1 through 06-8.

A material weakness is a significant deficiency or combination of significant deficiencies, which results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Forsyth Township's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily identify all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 06-1 through 06-05 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Forsyth Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards, and which are described in the accompanying comments and recommendations as items 06-9 through 06-14.

Also in "Other Matter," we reported item 06-15 to the management of Forsyth Township in the accompanying comments and recommendations.

This report is intended solely for the information and use of the management, the township board, others within the township, Federal awarding agencies, and State and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Cary Jay Vaughn, CPA, CGFM
Audit Manager
Local Audit and Finance Division

FORSYTH TOWNSHIP--MARQUETTE COUNTY

COMMENTS AND RECOMMENDATIONS

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that could adversely affect the Forsyth Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Forsyth Township's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency or combination of significant deficiencies, which results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Forsyth Township's internal control.

MATERIAL WEAKNESSES

Treasurer--Bank Reconciliation

Finding 06-1

Condition: The general checking account was not reconciled prior to the start of the audit and an adjustment was made to cash over and short to reconcile the difference.

Criteria: The Standards of Internal Control for the Federal Government (which is a good general standard for all types of municipalities) states that reconciliations must be performed as part of internal controls. This is further enhanced by the Uniform Accounting Procedures Manual which states that "all bank accounts must be reconciled to the local unit accounting records monthly and should then be reviewed by the appropriate supervisory personnel."

Recommendation: We recommend that all bank accounts be reconciled on a timely basis with the accounting records and that all bank accounts be recorded in the accounting records.

Ambulance Receivable

Finding 06-2

Condition: The township has not maintained a subsidiary listing for its ambulance receivable to substantiate the amount posted in the township's general fund. The township is also utilizing an estimated uncollectible amount for the ambulance billings which has not been adjusted due to not knowing the accuracy of the ambulance accounts receivable. Also, no formal write-off policy of uncollectible receivables exists.

Criteria: Accounts receivable are used to record amounts owed to the township. A subsidiary record is to be maintained of the amounts owed and the general ledger should balance with the subsidiary record. The estimated uncollectible accounts receivable is used to record the portion of accounts receivable which is estimated to never be collected. This balance should be based on a reasonable basis as determined by the board and updated periodically based on the receivable.

FORSYTH TOWNSHIP--MARQUETTE COUNTY

COMMENTS AND RECOMMENDATIONS

MATERIAL WEAKNESSES (Continued)

Recommendation: We recommend that the township establish a subsidiary listing for the ambulance accounts receivable and adjust the general ledger to this receivable balance. We further recommend the board establish a procedure for determining uncollectible amounts, establish a formal write-off policy, and implement policies to ensure the accounts receivables, estimated uncollectible accounts receivables, and write-offs agree with these procedures.

Sewer and Water Billings Receivable

Finding 06-3

Condition: The township cannot substantiate the balances recorded as sewer and water billings receivable. When the amount posted to the general ledger is compared to the amount billed toward the end of March 2006, the balance in the sewer is overstated and the balance in the water is understated.

Criteria: Accounts receivable control should reconcile to subsidiary records.

Recommendation: We recommend that the township adjust the general ledger to the amount billed at the time of billings and monitor the activity of the postings to the general ledger to ensure the accuracy and reasonableness of the activity of the postings. After the general ledger is initially adjusted, few and minor adjustments should be needed afterwards as any uncollected amounts are put onto the township residents tax bills. We further recommend that the board implement policies and procedures to ensure that the receivable is balanced and that the amount billed is comparable with the amount collected.

Other Receivables

Finding 06-4

Condition: The township had a balance for delinquent personal property taxes recorded as a receivable with an offsetting amount posted to deferred revenue in the General Fund and Clubhouse Fund with no subsidiary records to substantiate the balances. Delinquent property administrative fees, state revenue sharing, and senior center revenues were posted to accounts receivable other. Interest receivable was posted to the General Fund and Perpetual Care Fund, but not to the Sewer and Water Fund. The special assessments receivable in the Sewer and Water Fund do not agree with the subsidiary records of the assessments still due. Finally, the receivable relating to the cable company franchise fee was not recorded.

Criteria: Receivables should reconcile to subsidiary records, specifically the delinquent personal property taxes and special assessments receivable. According to the Uniform Chart of Accounts, delinquent administrative fees should be recorded as part of the delinquent taxes receivable in the 026 account and amounts due from the state for revenue sharing should be posted to the 078 account. If interest receivable is recorded, it should be recorded in all funds to maintain consistency.

FORSYTH TOWNSHIP--MARQUETTE COUNTY

COMMENTS AND RECOMMENDATIONS

MATERIAL WEAKNESSES (Continued)

Recommendation: We recommend that the township address the above situations for future financial statements and ensure that revenues are posted properly, that receivables are posted to proper accounts, and that the receivables balance to their respective subsidiary records.

Capital Assets

Finding 06-5

Condition: The township does not maintain adequate internal controls for its capital assets.

Criteria: It is the responsibility of the township to update a capital asset listing for additions and deletions. Assets purchased during the year are recorded as capital outlay which must equal the additions to the capital asset records and disposals should equal the reductions to the capital asset records.

Recommendation: We recommend that the township develop a property management system that includes the following steps:

1. Capital assets that meet the township's capitalization policy should be included on the capital asset listing and be listed as capital outlay on the general ledger of the township.
2. Capital outlay/assets, which are purchased under the established capitalization threshold or assets with life expectancy of less than 1 year, regardless of cost, should be classified as a supply or repairs and maintenance expenditure.
3. A periodic inventory (at least annually) must be made to ensure that all recorded items are on hand, and that all items on hand have been properly recorded.

SIGNIFICANT DEFICIENCIES

Payroll Withholding Liability Accounts

Finding 06-6

Condition: We found that the township is not monitoring the liability accounts used to record the amounts due to the State and Federal government for payroll withholdings.

Criteria: When the payroll is processed, the employees' portion of the State and Federal withholding is recorded in the liability accounts, "Due to State and Due to Federal." At the time of payment to the State or Internal Revenue Service, the employees' portion of the taxes due should be removed from the liability line-item zeroing the balance of the accounts.

Recommendation: We recommend that the township begin monitoring the payroll withholding liability line-items to verify the accuracy of the postings and that the accounts are reaching a zero balance after payments are made.

FORSYTH TOWNSHIP--MARQUETTE COUNTY

COMMENTS AND RECOMMENDATIONS

SIGNIFICANT DEFICIENCIES (Continued)

Pension Plan

Finding 06-7

Condition: The township participates in a defined benefit plan administered by the Municipal Employee’s Retirement System (MERS). Each year an actuarial report is prepared to determine the future funding requirements and the unfunded actuarial liability. Summarized below is the plan’s information for the year.

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Underfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percent of Covered Payroll</u>
12/31/2002	\$ 1,580,153	\$ 2,967,650	\$ 1,387,497	53%	\$ 625,190	222%
12/31/2003	1,812,308	3,025,328	1,213,020	60%	621,792	195%
12/31/2004	2,017,660	3,594,531	1,576,871	56%	701,574	225%

The township’s pension contributions of covered payroll for the period ending December 31, 2004 were 21.25% for Steelworkers, 9.07% for Police Officers, 35.76% for Administrative Employees, and 16.68% for the Chief of Police, respectively.

Criteria: Good fiscal practice involves being aware of all financial aspects of the township. The current status of the township’s pension plan and its unfunded amount, if not addressed, will lead to a greater retirement expense in the future, draining the township’s funds of its resources

Recommendation: We recommend that the township board review the full actuarial report separately issued by MERS as part of their budgeting process and future planning. Before any additional plan changes are made, we recommend that the board be fully cognizant of the impact it will have of the future funding requirements of the pension plan.

Sewer Fund

Finding 06-8

Condition: Despite the increase in sewer rates, the township again experienced an operating loss and an overall net income loss in its Sewer Fund.

Criteria: Good fiscal practice involves being aware of all financial aspects of the township. The current status of the township’s Sewer Fund is still an overall positive net asset, but unless the issue is addressed cash resources will continue to decline.

Recommendation: We recommend the township implement ways of increasing revenues by increasing rates or decreasing expenses to avoid more future losses.

FORSYTH TOWNSHIP--MARQUETTE COUNTY

COMMENTS AND RECOMMENDATIONS

NONCOMPLIANCE WITH STATE STATUTES

Our examination revealed the following instance of noncompliance with State statutes.

Treasurer--Old Outstanding Checks

Finding 06-9

Condition: The township currently has outstanding checks that are over one year old.

Criteria: According to MCL 567.234:

“Property held for the owner by a court, state, or other government, governmental subdivision or agency, public corporation, or public authority that remains unclaimed by the owner for more than 1 year after becoming payable or distributable is presumed abandoned.”

MCL 567.238 then states:

“. . . A person holding property presumed abandoned and subject to the state’s custody as unclaimed property under this act shall be reported to the administrator concerning the property as provided in this section. The report shall include all of the following: The name, if known, social security number, if known, and last known address, if any, of each person appearing from the records of the holder to be the owner of property of the value of \$50.00 or more presumed to be abandoned...”

MCL 567.240 then states:

“A person who is required to file a report . . . shall at the time of the report pay or deliver to the administrator all abandoned property to be reported . . . or any balance owing if an estimated payment was made . . .”

Directive: We direct that the township turn over all unclaimed checks over one year old to the State of Michigan Abandoned Property Division, in accordance with the above statutory requirements. We recommend that all checks over \$50 be specifically identified and those checks under \$50 be listed in total. The number of checks making up the under \$50 amount should be listed on the report to the state. All escheated checks must be removed from the outstanding check list on the bank reconciliation.

Violation of Open Meetings Act

Finding 06-10

Condition: On January 16, 2006, January 26, 2006, June 22, 2006, and September 24, 2006, the township board held a closed session with no reason for the closed session indicated.

Criteria: MCL 15.268 section 8 (a) of the Open Meetings Act states, “To consider the dismissal, suspension, or disciplining of, or to hear complaints or charges brought against, or to consider a periodic personnel evaluation of, a public officer, staff member, or individual agent, if the named person requests a closed hearing (unless the person requesting a closed hearing rescinds the request, in which case consideration will thereafter be in open sessions).”

FORSYTH TOWNSHIP--MARQUETTE COUNTY

COMMENTS AND RECOMMENDATIONS

NONCOMPLIANCE WITH STATE STATUTES (Continued)

MCL 15.268 section 8(b) states, "A public body may meet in a closed session to consider the dismissal, suspension, or disciplining of, or to hear complaints or charges brought against, or to consider a periodic personnel evaluation of, a public officer, employee, staff member, or individual agent, **if the named person requests a closed hearing**. A person requesting a closed hearing may rescind the request at any time, in which case the matter at issue shall be considered after the rescission only in open sessions." (emphasis added)

MCL 15.268 section 8(c) states, "For strategy and negotiation sessions connected with the negotiation of a collective bargaining agreement when either negotiating party requests a closed hearing."

MCL 15.268 section 8(d) states, "To consider the purchase or lease of real property up to the time an option to purchase or lease that real property is obtained."

MCL 15.268 section 8(e) states: "To consult with its attorney regarding trial or settlement strategy in connection with specific pending litigation, but only if an open meeting would have a detrimental financial effect on the litigating or settlement position of the public body."

MCL 15.267, section 7(1) states, in part: "The roll call vote and the purpose or purposes for calling the closed session shall be entered into the minutes of the meeting at which the vote is taken."

Directive: We direct the township to discontinue holding closed sessions unless held in accordance with the State law above. If a meeting is held in accordance with the Open Meetings Act, the purpose of the closed session should be clearly defined in the minutes of the board meeting.

Uniform Chart of Accounts

Finding 06-11

Condition: The township currently records dog licenses, cable company franchise fees, charges for copies, police services, plat books, election reimbursements, contributions from the county for the Sawyer Operations, and the contribution from the EDC to the miscellaneous revenue line-item.

The township is recording expenses relating to the supervisor, clerk, deputy clerk, treasurer, and deputy treasurer to the township board activity. The township is currently recording attorney fees, audit fees, engineering fees, community promotion expenses, dues, and printing to the general administration activity line-item. Office expenses and contributions to the Sawyer Operations Authority are being recorded to miscellaneous expenses. The expenses related to road work are recorded to capital outlay. The expenses related to the senior center are recorded as a transfer out. Finally, debt service is recorded to one expense line-item rather than itemizing the balances between principal and interest.

FORSYTH TOWNSHIP--MARQUETTE COUNTY

COMMENTS AND RECOMMENDATIONS

NONCOMPLIANCE WITH STATE STATUTES (Continued)

Criteria: The Uniform Chart of Accounts for Counties and Local Units of Government in Michigan has been developed under the authority of Act 2, Public Acts of 1968, as amended, (MCL 141.421) and Act 71, Public Acts of 1919, as amended, (MCL 21.41). The primary objective of this classification of accounts is to provide a means for the accumulation of financial information which will be uniform for all local units. Secondly, the accounts are provided to facilitate the preparation of prescribed reports. Thirdly, the chart follows Generally Accepted Accounting Principles and Michigan Law.

The Uniform Chart of Accounts issued by the Michigan Department of Treasury defines miscellaneous revenue as revenue that cannot be classified in any other account. According to the Uniform Chart of Accounts, revenues should be posted as dog licenses in account 471, the cable company franchise fees in account 672, charges for services including copies, police services, and plat books in accounts 600-654, Sawyer contributions from the county in account 583, school election reimbursements in 672, and the amount received from the EDC in account 673.

Activity 101 - Governing Body is designated for salaries and expenses directly related to the operations of the township board. State statutes have designated other statutory requirements for the supervisor, clerk, and treasurer thus requiring a separate activity in the Uniform Chart of Accounts. The Uniform Chart of Accounts has also designated external audit fees as activity 223, attorney fees as activity 266, Sawyer Operations as activity 337, road projects as activity 446, senior center as activity 673, and community promotion as activity 806. Dues and printing costs should be posted to the activity (clerk, treasurer, board) that the expense is associated with. Engineering fees should be posted in a similar manner. In regards to debt service, the Uniform Chart of Accounts has designated one line-item for principal expense and one line-item for interest expense.

Again, miscellaneous expenses are expenses that cannot be classified in any other account. The chart of accounts provides open accounts for the expenses the township posted to miscellaneous.

Recommendation: We recommend that the township implement the changes listed above to comply with the Uniform Chart of Accounts and State statute.

Trust and Agency Fund

Finding 06-12

Condition: The township maintains a separate Trust and Agency Fund. This fund should be reduced to zero after any amounts are collected. At March 31, 2006, there was a balance of \$26,247 in undistributed receipts. This balance is many years old.

FORSYTH TOWNSHIP--MARQUETTE COUNTY

COMMENTS AND RECOMMENDATIONS

NONCOMPLIANCE WITH STATE STATUTES (Continued)

Criteria: The Uniform Accounting Procedures Manual requires that the Current Tax Collection Account be reduced to zero or an imprest balance as soon as possible. Further, MCL 211.43 states that taxes collected shall be distributed within 10 business days after the first and fifteenth day of each month.

Directive: We direct the treasurer to distribute all property taxes within the time frame stipulated by law. Further, we recommend that the township continue to investigate the remaining unknown balance and distribute the funds so the account is reduced to zero or the imprest balance authorized by the township board.

Township Board--Expenditures in Excess of Appropriations

Finding 06-13

Condition: Our examination of procedures used by the township to adopt and maintain operating budgets for the township's budgetary funds revealed the following instances of noncompliance with provisions of Public Act 2 of 1968, as amended, the Uniform Budget and Accounting Act.

FORSYTH TOWNSHIP--MARQUETTE COUNTY

COMMENTS AND RECOMMENDATIONS

NONCOMPLIANCE WITH STATE STATUTES (Continued)

The township's 2005/2006 General Appropriations Act (budget) provided for expenditures of the General Fund and the Special Revenue Funds to be controlled at the activity level by the township. During the fiscal year ended March 31, 2006, expenditures were incurred in excess of amounts appropriated in the amended budgets for the General Fund and the Special Revenue Funds, as follows:

<u>Fund, Function and Activity</u>	<u>Final Amended Budget</u>	<u>Actual Expenditures</u>	<u>Excess Expenditures</u>
General Fund			
General Government			
Assessor	\$127,452	\$130,269	\$ (2,817)
Board of Review	500	1,252	(752)
Office Expenses	54,695	60,311	(5,616)
Elections	6,600	6,676	(76)
Building and Grounds	57,129	64,995	(7,866)
Public Safety			
Police Department	456,000	462,577	(6,577)
Fire Department	61,911	62,563	(652)
Ordinance Enforcement	2,100	7,024	(4,924)
Animal Control		191	(191)
Public Works			
DPW	127,900	131,848	(3,948)
Street Lights	46,500	91,330	(44,830)
Health and Welfare			
Senior Citizen	100,000	100,017	(17)
Other			
Insurance and Fringes	97,110	98,601	(1,491)
Retirement		7,508	(7,508)
Capital Outlay	329,224	330,498	(1,274)
Debt Service			
Principal	78,152	79,236	(1,084)
Transfers (Out)	46,280	51,486	(5,206)
Little Shag Lake			
Transfers (Out)		19	(19)

Criteria: The expenditures of funds in excess of appropriations are contrary to the provisions of Section 17 of Public Act 2 of 1968, as amended.

Directive: We direct that the township develop budgetary control procedures for the General Fund and the Special Revenue Funds which will ensure that expenditures do not exceed amounts authorized in the General Appropriations Act or amendments thereof.

FORSYTH TOWNSHIP--MARQUETTE COUNTY

COMMENTS AND RECOMMENDATIONS

NONCOMPLIANCE WITH STATE STATUTES (Continued)

Deficit Fund Balances

Finding 06-14

Condition: As of March 31, 2006, a deficit in the unreserved fund balance existed in the Horseshoe Lake Assessor Plat Fund and Little Shag Lake Assessor Plat Fund (special revenue funds) of \$35,302 and \$25,794, respectively.

Criteria: Public Act 275 of 1980 requires Forsyth Township to file a deficit elimination plan with the Michigan Department of Treasury within 90 days after the end of the fiscal year for each fund that ended that year in a deficit condition. Forsyth Township has not filed the required plan.

Direction: We direct Forsyth Township to file a Deficit Elimination Plan as required by PA 275 of 1980.

OTHER MATTER

Deposits and Investments

Finding 06-15

Condition: Forsyth Township has deposits in two financial institutions. The bank balance as of March 31, 2006 was \$2,141,407, of which the federally insured amount was \$127,584, leaving \$2,013,823 uninsured.

Criteria: GASB Statement No. 40 indicates that a "Concentration of Credit Risk" is the risk of loss attributed to the magnitude of an entity's investment in a single issuer where the investment is 5% or greater.

The township's investment policy requires assets to be diversified to eliminate the risk of loss resulting from over concentration in a specific maturity, individual financial institution(s) or a specific class of securities.

Recommendation: We recommend that the township diversify their deposits to a higher degree.